Computer Associates

International, Inc.

Annual Report

1993

In a World

without

Boundaries,

only People

working

Together can

fulfill the

Promise of

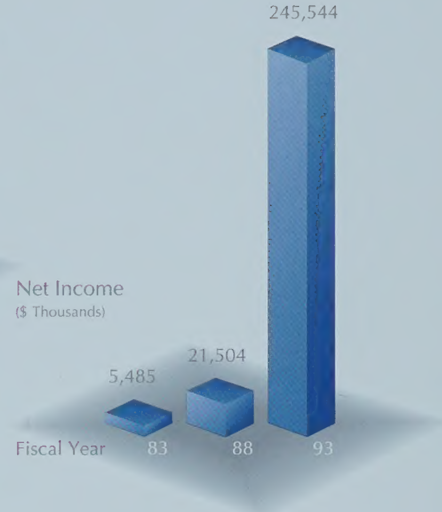
Technology.

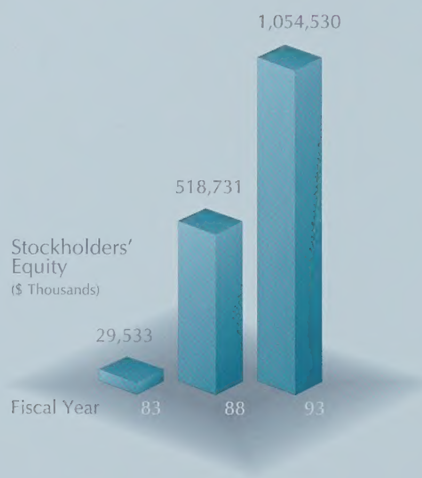
Computer® Associates

Software superior by design.

SELECTED DATA

(As reported in annual reports)





Adjusted for two-for-one stock splits in 1983, 1986, 1987, and 1989; a single share purchased on March 31, 1983 would be equivalent to 16 shares on March 31, 1993.

CORPORATE PROFILE

Computer Associates International, Inc. (kəm-pyōō′tər ə-sō′sē-āts′ ĭn′tər-năsh′ə-nəl ĭngk) *n.* **1.** World's leading multi-platform software developer and vendor. **2.** More than 300 products for mainframe, midrange and desktop computers, including integrated systems, database management, business applications and application development. **3.** The publicly-traded and increasingly profitable company founded in 1976 and listed on the New York Stock Exchange in 1986 (ticker symbol CA). **4.** The company depended upon by most of the world's major business, government, research and educational organizations. **5.** Over 7,000 dedicated people who make up Computer Associates around the world. ***Theme: In a world without boundaries, only people working together can fulfill the promise of technology***. Synonym: CA.

FINANCIAL HIGHLIGHTS

Income Statement Data (In thousands, except per share amounts)	Year Ended March 31, 1993	1992	1991	1990	1989
Revenue	$1,841,008	$1,508,761	$1,300,558	$1,244,402	$1,159,003
Net income	245,544	162,909	130,255	123,225	86,845
Net income per common share[1]	1.44	.92	.70	.66	.49
Dividends declared per common share	.10	.10	.10		

Balance Sheet Data (In thousands)	1993	1992	1991	1990	1989
Cash from operations	$ 415,747	$ 360,717	$ 287,750	$ 183,257	$ 50,533
Working capital	340,694	311,058	546,985	377,273	246,727
Total assets	2,348,819	2,168,862	1,515,944	1,385,667	1,257,740
Long-term debt (less current maturities)	166,714	40,804	24,611	26,089	50,977
Stockholders' equity	1,054,530	988,339	884,071	803,013	669,436

[1] Adjusted to reflect a two-for-one stock split effective May 30, 1989.
See Management's Discussion and Analysis and the Notes to the Consolidated Financial Statements for additional information.

Dear Stockholder,

I am pleased to report that Fiscal 1993, which ended March 31, has been another record year for Computer Associates. There were solid across-the-board financial and marketplace gains.

Revenues increased 22 percent to $1.8 billion from $1.5 billion the previous year, with net income up 51 percent to $246 million from $163 million. In terms of net income per share, this comes to $1.44, up 57 percent from the previous year's $.92. Return on average shareholder's equity was a record 24.8 percent.

In a year when many computing companies seem to have lost their way, I'm proud to say that the people of CA have continued to turn in superior results. We've remained focused on what we do best.

Very simply, it's been CA's single-minded aim as a technology company to be very un-single-minded: we see a good part of our job to be integrating proven and new computing technologies that work together for the good of our clients. To do that, we've been interacting closely with our clients to learn their evolving needs.

In CA-sponsored conferences for Chief Information Officers and, most recently, Chief Executive Officers, we've established an ongoing dialogue that brings to CA an understanding of client needs and brings our clients into intimate contact with the people who design the software for their businesses.

Both CA and its clients have benefited from new pricing options that simplify software licensing for vendor and client alike. Our redoubled effort to expand client-service is paying off. Client satisfaction has improved markedly because we've established an organic link between CA and the people in business, government and research who rely on our software day to day.

This fiscal year we announced support for more than a dozen platforms under CA-UNICENTER®, already a world-standard in the management of mainframe systems. Now, whether the technology is mainframe, midrange or local area networks running on UNIX, IBM's OS/2, Microsoft's Windows NT, Novell's NetWare or a host of others in any combination, our clients will remain in control. We're bringing the mission-critical dependability and security of the mainframe environment to a host of new products for distributed systems.

In providing these products, which will be reaching the market as new technologies gain acceptance, we're maintaining a Computer Associates tradition that is part vision, part common sense and part some of the best development minds in the business.

CA intends to continue its leadership by providing the kind of software that business, government and science demand, whatever the hardware platform or software operating system, anywhere in the world.

This recognition of a continuously evolving CA may be part of the reason our stock price rose 54 percent over the course of Fiscal 1993. In fact, CA has been the same company, with the same type of surefire, cost-effective products, run by the same kind of people, since we were founded in 1976. As happy as we are with our performance, complacency has never had a place at CA. Much remains to be done. And, if we stick to our proven strategy of combining the visionary with the flexible and the pragmatic, it will be.

We're glad our stockholders have seen their faith rewarded—as you have before—and we hope that you will continue to look at the long term and the big picture, because that's what we at CA do every working day.

Charles B. Wang
Chairman and
Chief Executive Officer

IN A WORLD WITHOUT BOUNDARIES, ONLY PEOPLE WORKING TOGETHER CAN FULFILL THE PROMISE OF TECHNOLOGY.

World (wûrld) *n.* **1.** Earth, terra, third planet from the sun. There's only one, and becoming more so every day. What began as a babel of diverse cultures is rapidly evolving into a global civilization with local variations: *Though many people believe CA is an American company because its headquarters is in a village on Long Island and its shares are traded on the New York Stock Exchange, Computer Associates International, Inc. was a world company from the start because information technology is by its nature universal, global and world-spanning; the world is our market, and it is a growing one.* This year some 50 percent of revenues were produced outside North America. **2.** A universe or totality: *A world of its own that most Fortune 500 companies and the U.S. and foreign governments depend on*—see also: ***worldly, world-standard, world-class***. **3.** A diverse but unified collection: *a world of software products that work across many and varied hardware platforms and a universe of operating systems—related idiom:* ***down-to-earth***. Sensible; realistic; practical; CA is the world's leading multi-platform software company because we don't just create technology—we make technological solutions that work for real people in the real world.

IN A WORLD WITHOUT BOUNDARIES, ONLY PEOPLE WORKING TOGETHER CAN FULFILL THE PROMISE OF TECHNOLOGY.

Boundaries (boun′drēz) *n. pl.* **1.** Unnatural obstacles limiting freedom, efficiency, achievement, progress; *very un-*CA. **2.** Lines on a map, once significant. Don't kid yourself, they don't simply go away—someone has to erase them. That's why we took a hard look at the way our clients wished to use software, then offered new licensing agreements: *one enterprise, one license, one contract, one price.* Industry experts call our Enterprise Pricing a "template" for software licensing that other companies will likely emulate. Why? Because although conventional tier-pricing served the software industry for years and remains the standard form of licensing, it isn't cost-effective for everyone. Some companies are consolidating or restructuring their data processing. For these clients we have pioneered with pricing options that not only do not restrict progress but encourage it. *Market-driven innovation is a* CA *tradition.* **3.** Barriers to be overcome. *From CA's perspective, history is an endless process of senseless boundaries hurdled by passion, guts, technology, off-hours chatting with clients.* Of course, now that we've offered Enterprise Pricing, others are emulating the licensing model chosen by such CA clients as the U.S. Postal Service, Citicorp, MCI and GE. We at CA welcome this sincerest form of flattery—where would leaders be without followers?

In a World without Boundaries, only People Working Together can fulfill the Promise of Technology

People (pē′pəl) *n. s.*, *n. pl.* **1.** Any collection of persons numbering from two to infinity. Most companies have them—that's why their parking lots fill up. ***Synonyms: fixed overheads, liabilities***. **2.** CA. A special group of individuals, *sharing* one or more common characteristics—*our* parking lots fill early and empty late, even on weekends. ***Synonyms: profit-makers, assets***. **3.** A special group of individuals *defined* by such common characteristics as language (Francophone), race (Amerindian), religion (Greek Orthodox), nationality (British), or **attitude** (CA). CAers are: ***flexible*** (when the whole company is reorganized for efficiency at least once a year, you'd better be); ***determined*** (over 300 software products, more than any company in the world); ***informal*** (think 7,000 people on a first-name basis); ***tightly organized*** ("I proposed that to the entire 401(k) Committee last night...") but ***non-bureaucratic*** ("...and she agreed"); plus ***talented*** (CA doesn't hire just anyone, and promotes from within to provide incentive for talent to grow). **4.** *v. intr.*, **to people**. *Last year CA had no Client Service Representatives—this year 500 CSRs were carefully trained and brought in* **to people** *CA offices worldwide*. Of course they're rarely in—they're out helping clients run the world's information-processing industry on CA software. Clients are people too.

Together (tə-gĕth′ər) *adv.* **1.** Collectively, as a group. Most technolog developers are so inventive they rarely care if their inventions have a use; CA *developers work together with our sales, service and support peopl to perfect products actually needed by people in business, government and research.* **2.** Mutually and reciprocally. This internal policy affects the way we work *with* our clients: selling has now evolved into *serving, providing, empowering*—see also: ***Client Service Representatives***. **3.** In accord. With so much revolutionary software out there, so many compa nies with the single God-given answer, so many clients in techno shock, *someone* had to ask the people writing the checks what *they* need Computing these days has all the simplicity of a 138-page menu in some German-Italian-French restaurant, each dish incompatible with the next That's why our way to avoid software heartburn has caught on: *many mission-critical* CA *mainframe products are already offered for midrange and micro computers*. It all works the same way: together. Thinking of the time saved in retraining when desktops join mainframes? You're think ing like a CA client. **4.** In harmony, coherently. CA *software works together with other* CA *software and thousands of products from other companies because we have learned to work together with our clients.*

In a World without Boundaries, only People working Together can fulfill the Promise of Technology.

In a World without Boundaries, only People working Together can fulfill the Promise of Technology

Promise (prŏm′ĭs) *n.* **1.** A vow or declaration of assurance regarding future performance; only as good as the company that keeps it. *CA's 17-year record of performance is why our clients sleep at night.* **2.** That which is assured; **in software architecture, that which is CA90s®, Computing Architecture For The 90s**. After all, what's software architecture but a vow that today's products will work with tomorrow's? *Plans on a chalkboard are nice—delivering on the promise is pure* CA. By making the various software layers modular, connectable, Lego-like, we at CA can quickly and efficiently develop software for the fullest range of computers and operating systems. When new ideas come along, our clients know CA will make these work with their existing systems. And clients save a bundle in retraining costs, because transition is smooth, tested, evolutionary. [*see also:* ***Windows, OS/2, UNIX, NetWare***. Through CA90s, we offer more multi-platform applications than any other company, bar none.] **3.** Indication of future excellence or success. *Idiom:* ***It shows promise***. In this lackluster year for many computer-industry stocks, CA shares opened at $15\frac{1}{2}$ and closed at $23\frac{7}{8}$. Why? *Our promise has legs*. **4.** A basis for expectation: *a future holding promise*. People *believe* in CA. We keep our promises.

Technology (tĕk-nŏl′ə-jē) *n.*, *pl.* **-gies**. **1.** Application of science to industry. CA spends more on R&D (11 percent of revenues) and less on perks, so it's not surprising we have more products. **But we're most proud of their quality**. A Sentry Market Research survey of 1,869 CA clients found that more than 90 percent rated our software good-to-excellent. And most haven't yet seen the CA-UNICENTER versions just coming to market for such new platforms as UNIX, OS/2, Windows NT and NetWare, where we're bringing mainframe security to any operating system business is likely to depend on. If experience is our guide—and it is [*see also:* ***promise***]—CA-UNICENTER will continue to be the key to administering mission-critical systems worldwide. **2.** The entire body of methods and materials used to achieve such objectives. *Because our developers aren't locked into part of the solution, we're able to bring forth technology that provides a complete product, not just a glittery fragment.* **3.** The way work is done; visionary pragmatism. *This year we shipped more new products than most companies produce over a lifetime.* **4.** The unfailingly practical result of a uniquely profitable culture—*see also:* ***Computer Associates International, Inc.***; *see also:* **CA**; *see also:* ***the fifteen words immediately to the left***; *see also:* ***what follows***.

IN A WORLD WITHOUT BOUNDARIES ONLY PEOPLE WORKING TOGETHER CAN FULFILL THE PROMISE OF TECHNOLOGY.

Report of Management

Management is responsible for the preparation, integrity and objectivity of the financial information presented in this Annual Report. The accompanying consolidated financial statements have been prepared from accounting records which management believes fairly and accurately reflect the operations and financial position of the Company. These statements have been prepared in accordance with generally accepted accounting principles and of necessity include some amounts that are based on management's best estimates and judgments. Management has established a system of internal controls to provide reasonable assurance that assets are maintained and accounted for in accordance with its policies and that transactions are recorded accurately on the Company's books and records.

The Company's Internal Audit Program provides for ongoing evaluation of the adequacy, effectiveness and adherence to management's established policies and procedures. The Board of Directors exercises its responsibility for these financial statements through its Audit Committee, which consists entirely of non-management Directors. The independent auditors and the internal auditors have full and free access to the Audit Committee. The Company has distributed to key employees its policies for conducting business affairs in an ethical and professional manner.

The financial statements of the Company have been audited by Ernst & Young, independent auditors. Their accompanying report is based on an audit conducted in accordance with generally accepted auditing standards, including a review of internal accounting controls and financial reporting matters.

CHARLES B. WANG
Chairman of the Board
and Chief Executive Officer

PETER A. SCHWARTZ
Senior Vice President
and Chief Financial Officer

Islandia, New York
May 26, 1993

Report of Independent Auditors

Stockholders and Board of Directors
Computer Associates International, Inc.

We have audited the accompanying consolidated balance sheets of Computer Associates International, Inc. and subsidiaries as of March 31, 1993 and 1992, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1993. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Computer Associates International, Inc. and subsidiaries at March 31, 1993 and 1992, and the consolidated results of their operations and their cash flows for each of the three years in the period ended March 31, 1993, in conformity with generally accepted accounting principles.

Ernst & Young

New York, New York
May 26, 1993

RESULTS OF OPERATIONS

In December 1991, the American Institute of Certified Public Accountants issued a Statement of Position ("SOP") on Software Revenue Recognition. As a result of this SOP, the Company changed its accounting method during fiscal year 1992 to conform to the requirements therein. Consistent with the SOP, the Company has deferred all maintenance revenue, whether separately priced or bundled with license revenue and recognized this revenue ratably over the maintenance period. The Company's financial statements for periods prior to fiscal 1992 have been restated to reflect the change in accounting.

Total revenue for fiscal year 1993 of $1.8 billion increased 22% over $1.5 billion for fiscal year 1992. Product revenue increased by 27% over the prior year's level, exceeding $1 billion in a single year for the first time in the Company's history. The growth was attributable to higher licensing fee revenue across most platforms. In addition, products acquired during fiscal year 1992 benefited from the Company's wider distribution channels for all of fiscal year 1993. In fiscal years 1992 and 1993, the Company began promoting its offerings on platforms other than that of IBM's mainframe MVS, VM and VSE platforms. UNIX-based products introduced during the last half of fiscal year 1993 received significant client and marketplace interest. As these and additional products become commercially viable during fiscal 1994, the Company expects to benefit from the industry's growing interest in client/server processing products. During the latter part of fiscal year 1993, an Enterprise Licensing alternative was introduced to numerous clients. Enterprise Licensing, a less restrictive pricing approach, affords clients the opportunity to license products for use throughout their enterprise without the restrictions and upgrade costs of tier pricing. Although significant interest was shown in both UNIX-based products and Enterprise Licensing, neither had a material incremental impact on revenue during fiscal year 1993. Maintenance revenue increased primarily as a result of the commencement of maintenance from additional licenses added in prior periods. Price changes did not have a material impact in either year. Total international revenues grew in excess of 15% by exploiting the Company's expanded presence outside North America, and the introduction of new product offerings in locations where the Company was already well known. The slightly lower international growth rate than that of the prior year reflects the ongoing economic turmoil and currency dislocations experienced during fiscal year 1993, particularly in Western Europe, the Company's largest market outside North America.

Selling, marketing and administrative expenses were 51% of revenue for fiscal year 1993 as opposed to 54% for fiscal year 1992. The lower percentage for fiscal year 1993 reflects the higher revenue achievement without a proportionate increase in fixed operating and administrative costs. Contributing to the improved percentage, fiscal year 1993 facilities costs declined as a result of the Company's refinancing of the headquarters building. Management continues to emphasize expense control as a means of enhancing profitability. Net product and development expenditures increased by $17 million in fiscal year 1993 over the prior year, but declined from 13% to 11% when expressed as a percent of revenue. This decline reflects the operating efficiencies realized from prior company acquisitions and the benefits inherent in the Company's CA90s development architecture. These efficiencies are allowing the Company to not only enhance its existing products, but also invest in the development of products for the workstation and personal computer environments without significantly impacting profitability. Commissions and royalties were unchanged at 5% of revenue for fiscal years 1993 and 1992. Depreciation and amortization increased by $51 million in fiscal year 1993 versus fiscal year 1992 primarily due to the effect of a full year's amortization of the intangible assets related to companies acquired during fiscal year 1992, and additions to purchased software products during fiscal year 1993. Also contributing to the higher amortization expense in fiscal year 1993 was higher amortization of capitalized development costs resulting from the introduction of new products to the marketplace. Additional depreciation expense was incurred during fiscal year 1993 due to the aforementioned headquarters building purchase. Net interest expense for fiscal year 1993 of $4.5 million compared with net interest income of $6 million in fiscal year 1992 was the direct result of lower average cash balances and higher average debt levels outstanding. The

higher debt levels were primarily used to purchase the Company's corporate headquarters building. Pre-tax income increased in fiscal year 1993 by $117 million, or from 18% to 21% as a percent of revenue. After tax margins similarly improved in fiscal 1993 to 13% from 11% as a result of the changes noted above, and, to a lesser extent, a lower consolidated effective tax rate. The consolidated effective tax rate for fiscal year 1993 declined to 36% from 39% in fiscal year 1992. The decline was principally the result of using foreign tax credits. Net income per share increased by 57%. A reduction of 4% in the average shares outstanding during fiscal year 1993 contributed to this improvement.

Total revenue for fiscal year 1992 increased 16% over the prior comparable year. Product revenue of $924 million was 23% higher than that of fiscal year 1991. The Company had product revenue growth across virtually all product lines. In particular, the acquisitions of On-Line Software International, Inc. ("On-Line") and Pansophic Systems, Incorporated ("Pansophic") resulted in additional product offerings and revenue. The Company benefited from acquired products operating in IBM's AS/400 midrange environment, as well as new areas such as computer-aided software engineering ("CASE") application development tools and warehouse logistics management applications. The 30% growth in international revenues was largely a reflection of the Company's expanded presence in several key markets and regionally strong responses to new product introductions. Maintenance revenue increased 6% for the year ended March 31, 1992 over that of the preceding period primarily due to additional licenses from prior periods that became eligible for maintenance. There was minimal impact on maintenance from the acquisitions of On-Line and Pansophic. Price changes did not have a material impact in either year.

Selling, marketing and administrative expenses were 54% of revenue for fiscal year 1992 versus 56% for fiscal year 1991. The lower percentage for fiscal 1992 was primarily the result of operational efficiencies realized from the acquisitions of On-Line and Pansophic as well as the product revenue increase noted above without a proportionate growth in administrative costs. Although net product and development expenditures increased by $13 million in fiscal year 1992 over the fiscal year 1991 period, there was a decline of 1% when expressed as a percent of revenue. Commissions and royalties were unchanged at 5% of revenue for both fiscal 1992 and 1991. Depreciation and amortization expense increased largely due to the additional amortization of purchased software products and excess of cost over net assets acquired related to the acquisitions of On-Line and Pansophic, and to a lesser extent, higher amortization of capitalized development costs occasioned by the introduction of new products for which costs have been capitalized. Net interest income for fiscal 1992 was lower than that of fiscal 1991 due to the level of short-term bank borrowings used to finance the acquisitions of On-Line and Pansophic during fiscal 1992. Pre-tax income increased by approximately 25% over fiscal 1991's level, and pretax margins increased from 16% to 18% as a cumulative result of the changes discussed above. Foreign-sourced net income increased disproportionately in fiscal 1992 by virtue of prior year's systems and service investments and the relatively lower combined foreign tax rate. The consolidated effective tax rate for both fiscal years 1992 and 1991 remained unchanged at 39%.

The Company's foreign subsidiaries operate as distributors for the products of the Company. As such, the subsidiaries pay royalties to the Company on revenue generated from the licensing of products. After payment of such royalties, these foreign subsidiaries had net income of $74,841,000, $59,321,000 and $6,322,000 in fiscal years 1993, 1992 and 1991, respectively. See Note 3 of Notes to Consolidated Financial Statements.

The Company's products are designed to improve the productivity and efficiency of its clients' data processing resources. Accordingly, in a recessionary environment, the Company's products are often a reasonable economic alternative to customers faced with the prospect of incurring expenditures to increase their existing data processing resources. However, a general or global slowdown in the world economy could adversely affect the Company's operations.

SELECTED UNAUDITED QUARTERLY INFORMATION

(In thousands, except per share amounts)

1993 Quarterly Results	June 30	Sept. 30	Dec. 31	Mar. 31	Total
Revenue	$367,475	$431,947	$501,525	$540,061	$1,841,008
Percent of total revenue	20%	24%	27%	29%	100%
Net income	19,263	46,970	80,209	99,102	245,544
— Per common share	$ .11	$ .28	$ .48	$ .57	$ 1.44
1992 Quarterly Results	**June 30**	**Sept. 30**	**Dec. 31**	**Mar. 31**	**Total**
Revenue	$287,011	$332,807	$419,085	$469,858	$1,508,761
Percent of total revenue	19%	22%	28%	31%	100%
Net income	13,282	37,672	54,215	57,740	162,909
— Per common share	$ .07	$ .21	$ .31	$ .33	$ .92

The Company has experienced a pattern of business whereby revenue for its third and fourth fiscal quarters reflects an increase over first and second quarter revenue. The Company attributes this increase to clients' increased spending at the end of their calendar year budgetary periods and the culmination of its annual sales plan. Since the Company's costs do not increase proportionately with the third and fourth quarter's increase in revenue, the higher revenue in these quarters results in greater profit margins and income. Fourth quarter profitability is traditionally affected by significant new hirings, training and education expenditures for the succeeding year.

There have been no special marketing programs by the Company which have had a material effect on the revenue or net income of any given quarterly period.

FOREIGN CURRENCY EXCHANGE

Approximately 50% of the Company's total revenue in fiscal year 1993, 52% in fiscal year 1992 and 45% in fiscal year 1991, was derived from sales outside of North America. The effect of foreign currency exchange rate fluctuations versus the U.S. dollar on international revenues is largely offset to the extent expenses of the Company in international operations are incurred and paid for in the same currencies as those of its revenues.

Economic uncertainty in major European markets caused a gradual strengthening of the U.S. dollar during fiscal year 1993. The Company has mitigated its exposure to foreign currency translation adjustments by substantially offsetting assets denominated in foreign currencies with foreign currency liabilities. A foreign currency translation adjustment of $31,848,000 was charged to Stockholders' Equity in fiscal year 1993. During fiscal 1993 the net income effect of foreign exchange losses was $7,053,000.

Liquidity and Capital Resources

The Company's ability to generate adequate cash to meet its needs is provided by cash flow from operations and available credit facilities. The Company increased its cash generated from operations by over $50 million during fiscal year 1993 primarily as a function of increased operating profits. Increases in accounts receivable balances resulting from significantly higher fiscal year 1993 revenue were partially offset by higher taxes payable resulting from the improved net income levels. The Company's cash flow is also affected by the mix of plans (initial license fee, annual and monthly payment options) selected by its clients and, to a lesser extent, by the mix of term versus one-time fee licenses.

The Company's domestic and foreign subsidiaries have overdraft facilities denominated in U.S. and foreign currencies in the aggregate approximating $10 million. In addition, the Company has a credit facility with a group of banks that permits the Company to borrow up to $250 million. Most borrowings under this agreement are subject to the London interbank rate ("LIBOR") plus ⅜%. The agreement calls for the maintenance of certain financial conditions and ratios. During fiscal year 1993, peak borrowings under these facilities were $200 million. The weighted average interest rate for these borrowings during the year was 4.9%. The comparable interest rate for borrowings during fiscal year 1992 was 4.9%, and peak borrowings were $230 million. At March 31, 1993, approximately $25 million was outstanding under these credit arrangements.

During fiscal year 1993, the Company increased its ownership through a wholly owned subsidiary from 49% to 98% in its headquarters office building. The Company borrowed $175 million under a 4-year term loan facility to refinance all outstanding debt incurred in connection with the construction of the headquarters building. This debt has an interest rate of LIBOR plus ⅝% and is repayable in quarterly installments over four years. The loan agreement calls for certain financial ratios to be maintained and is collateralized by the building. As of March 31, 1993, $164 million was outstanding under this credit arrangement.

The Company believes that these sources of liquidity, existing cash and cash equivalents and current marketable securities of $229 million as of March 31, 1993, are adequate for its foreseeable operating needs.

The Company has completed the repurchase of 15 million shares announced as part of an August 1990 Common Stock Repurchase Program. In July 1992, the Company announced its intention to repurchase an additional 15 million shares of Common Stock. On May 12, 1993, the Board of Directors increased this authorization to a total of 25 million shares for general corporate purposes. Through May 27, 1993, the Company purchased seven million shares under this plan.

The Company's capital resource commitments as of March 31, 1993 consisted of lease obligations for office space, computer equipment, a mortgage obligation and amounts due resulting from the acquisitions of products and companies. The Company intends to meet its capital resource commitments from its available funds. No significant commitments exist for future capital expenditures. See Notes 5, 6 and 7 of Notes to Consolidated Financial Statements for details concerning commitments.

CONSOLIDATED BALANCE SHEETS

(In thousands) ASSETS	March 31, 1993	1992
CURRENT ASSETS		
Cash and cash equivalents	$ 79,483	$ 74,281
Marketable securities	149,017	208,169
Trade and installment accounts receivable	596,608	572,439
Inventories and other current assets	43,812	49,166
TOTAL CURRENT ASSETS	868,920	904,055
INSTALLMENT ACCOUNTS RECEIVABLE, due after one year	410,009	339,490
PROPERTY AND EQUIPMENT		
Land and buildings	231,742	47,935
Computer equipment	125,954	115,106
Furniture, fixtures and equipment	125,262	102,996
Leasehold improvements	42,347	41,622
	525,305	307,659
Allowance for depreciation and amortization	214,713	179,451
TOTAL PROPERTY AND EQUIPMENT	310,592	128,208
PURCHASED SOFTWARE PRODUCTS, net of accumulated amortization of $590,279 and $446,610	404,106	492,239
EXCESS OF COST OVER NET ASSETS ACQUIRED, net of accumulated amortization of $30,262 and $17,333	243,085	201,295
OTHER ASSETS	112,107	103,575
TOTAL ASSETS	$2,348,819	$2,168,862

See Notes to Consolidated Financial Statements.

(In thousands)	March 31,	
LIABILITIES AND STOCKHOLDERS' EQUITY	**1993**	**1992**
CURRENT LIABILITIES		
Loans payable—banks	**$ 25,000**	$ 200,000
Accounts payable	**56,885**	35,244
Salaries, wages and commissions	**47,423**	52,616
Accrued expenses and other liabilities	**163,424**	164,339
Taxes, other than income taxes	**42,058**	40,688
Federal, state and foreign income taxes payable	**106,956**	41,994
Deferred income taxes	**39,385**	56,160
Current portion of long-term debt	**47,095**	1,956
TOTAL CURRENT LIABILITIES	**528,226**	592,997
LONG TERM DEBT, net of current portion	**166,714**	40,804
DEFERRED INCOME TAXES	**256,577**	226,198
DEFERRED MAINTENANCE REVENUE	**342,772**	320,524
STOCKHOLDERS' EQUITY		
Common Stock, $.10 par value, 500,000,000 shares authorized, 186,865,325 shares issued	**18,687**	18,687
Additional paid-in capital	**515,071**	516,320
Retained earnings	**737,915**	509,526
Equity adjustment	**(8,564)**	23,284
Treasury stock, at cost—19,034,138 shares in 1993 and 9,529,806 shares in 1992	**(208,579)**	(79,478)
TOTAL STOCKHOLDERS' EQUITY	**1,054,530**	988,339
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$2,348,819**	$2,168,862

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

(In thousands, except per share amounts)	1993	1992	1991
		Year Ended March 31,	
Product revenue and other related income	**$1,169,519**	$ 923,990	$ 750,255
Maintenance fees	**671,489**	584,771	550,303
TOTAL REVENUES	**1,841,008**	1,508,761	1,300,558
Costs and Expenses:			
Selling, marketing and administrative	**940,137**	820,385	731,580
Product development and enhancements	**207,365**	190,324	177,412
Commissions and royalties	**98,302**	81,006	70,160
Depreciation and amortization	**207,006**	156,257	115,521
Interest expense (income), net	**4,535**	(6,277)	(7,674)
TOTAL COSTS AND EXPENSES	**1,457,345**	1,241,695	1,086,999
Income before income taxes	**383,663**	267,066	213,559
Income taxes	**138,119**	104,157	83,304
NET INCOME	**$ 245,544**	$ 162,909	$ 130,255
NET INCOME PER COMMON SHARE	**$ 1.44**	$ .92	$ .70
Weighted average common shares used in computation	**170,354**	177,982	184,760

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)	Common Stock	Additional Paid-In Capital	Retained Earnings	Equity Adjustment[1]	Treasury Stock	Total Stockholders' Equity
Balance at March 31, 1990	$18,653	$514,860	$252,684	$16,816	$	$ 803,013
Net income			130,255			130,255
Dividends declared ($.10 per share)			(18,503)			(18,503)
Exercise of Common Stock options and other	34	2,341			697	3,072
Translation adjustment in 1991				3,132		3,132
Net change attributable to unrealized loss on marketable securities				142		142
Purchases of treasury stock					(37,040)	(37,040)
Balance at March 31, 1991	18,687	517,201	364,436	20,090	(36,343)	884,071
Net income			162,909			162,909
Dividends declared ($.10 per share)			(17,819)			(17,819)
Exercise of Common Stock options and other		(881)			2,325	1,444
Translation adjustment in 1992				3,194		3,194
Purchases of treasury stock					(45,460)	(45,460)
Balance at March 31, 1992	18,687	516,320	509,526	23,284	(79,478)	988,339
Net income			245,544			245,544
Dividends declared ($.10 per share)			(17,155)			(17,155)
Exercise of Common Stock options and other		(1,249)			6,941	5,692
Translation adjustment in 1993				(31,848)		(31,848)
Purchases of treasury stock					(136,042)	(136,042)
Balance at March 31, 1993	$18,687	$515,071	$737,915	$ (8,564)	$(208,579)	$1,054,530

(1) Represents foreign currency translation adjustment.

Consolidated Statements of Cash Flows

(In thousands)	1993	Year Ended March 31, 1992	1991
OPERATING ACTIVITIES			
Net income	**$245,544**	$162,909	$130,255
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**207,006**	156,257	115,521
Provision for deferred income taxes	**27,679**	53,318	43,387
Increase in noncurrent installment accounts receivable, net	**(93,717)**	(68,933)	(4,538)
Increase in deferred maintenance revenue	**29,458**	39,517	22,206
Foreign currency transaction loss—before taxes	**11,020**	7,157	9,590
Changes in other operating assets and liabilities, net of effects of acquisitions:			
(Increase) decrease in trade and installment receivables	**(64,371)**	28,067	(14,019)
Other changes in operating assets and liabilities	**53,128**	(17,575)	(14,652)
NET CASH PROVIDED BY OPERATING ACTIVITIES	**415,747**	360,717	287,750
INVESTING ACTIVITIES			
Acquisitions, primarily purchased software, marketing rights and intangibles	**(65,271)**	(412,500)	(45,311)
Purchases of property and equipment	**(221,857)**	(15,130)	(19,219)
Purchases of noncurrent marketable securities	**(10,250)**	(52,340)	(14,775)
Sales of noncurrent marketable securities	**8,759**	51,352	12,669
Purchases of current marketable securities	**(171,550)**	(355,341)	(375,528)
Sales of current marketable securities	**230,702**	355,584	215,105
Advances to general partnership		(4,741)	(52,147)
Repayment of advances by general partnership		3,248	53,436
Increase in capitalized development costs	**(18,149)**	(23,582)	(20,372)
NET CASH USED IN INVESTING ACTIVITIES	**(247,616)**	(453,450)	(246,142)
FINANCING ACTIVITIES			
Dividends	**(17,155)**	(17,819)	(18,503)
Purchases of treasury stock	**(136,042)**	(45,460)	(37,040)
Proceeds from loans payable—banks	**200,000**	480,000	
Repayments of loans payable—banks	**(375,000)**	(280,000)	
Issuances of long-term debt	**189,104**		4,786
Repayments of long-term debt	**(16,084)**	(20,120)	(7,597)
Exercise of common stock options and other	**5,692**	1,444	2,022
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	**(149,485)**	118,045	(56,332)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE EFFECT OF EXCHANGE RATE CHANGES ON CASH	**18,646**	25,312	(14,724)
Effect of exchange rate changes on cash	**(13,444)**	(5,387)	(7,192)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**5,202**	19,925	(21,916)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**74,281**	54,356	76,272
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**$ 79,483**	$ 74,281	$ 54,356

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 — SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation: The accompanying consolidated financial statements are those of Computer Associates International, Inc. and subsidiaries (the "Company"). Significant intercompany items and transactions have been eliminated in consolidation. The Company has various investments which it accounts for under the equity method of accounting. None of these investments is significant either individually or when considered collectively. The Company's net activity for such investments is reflected in selling, marketing and administrative expense.

Basis of Revenue Recognition: Product license fee revenue is recognized after both acceptance by the client and delivery of the product. Maintenance revenue, whether bundled with product license or priced separately, is recognized ratably over the maintenance period. Accounts receivable resulting from product sales with extended payment terms are discounted to present value using the rate which approximates the Company's cost of funds. The amounts of the discount credited to operations for the years ended March 31, 1993, 1992 and 1991 were $109,985,000, $90,077,000 and $78,551,000, respectively.

Marketable Securities: The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Marketable securities-current which are interest bearing are stated at cost, plus accrued interest, which approximates market.

Property and Equipment: Land, buildings, computer equipment, furniture, fixtures and equipment and leasehold improvements are stated at cost. Depreciation and amortization are provided over the estimated useful lives of the assets by the straight-line method.

Intangibles: Excess of costs over net assets acquired are being amortized by the straight-line method over 20 years. Cost of purchased software and acquired rights to market software products, and software development costs (costs incurred after development of a working model or a detailed program design) are capitalized and amortized by the straight-line method over five years or the product's useful economic life, whichever is less, commencing with product release. Unamortized capitalized development costs included in other assets at March 31, 1993 and 1992 were $61,331,000 and $59,286,000, respectively. Amortization of capitalized development costs was $15,969,000, $11,985,000 and $6,865,000 for the fiscal years ended March 31, 1993, 1992 and 1991, respectively.

Net income per share: Net income per share of Common Stock is computed by dividing net income by the weighted average number of common shares and any dilutive common share equivalents outstanding. Fully diluted net income per share for fiscal 1993, 1992 and 1991 is not materially different from net income per share.

Statement of Cash Flows: Interest payments for the years ended March 31, 1993, 1992 and 1991 were $12,537,000, $8,716,000 and $5,709,000, respectively. Income taxes paid for these fiscal years were $60,715,000, $28,787,000 and $52,082,000, respectively.

Translation of Foreign Currencies: In translating financial statements of foreign subsidiaries, all assets and liabilities are translated using the exchange rate in effect at the balance sheet date. All revenue, costs and expenses are translated using an average exchange rate. Net income includes exchange losses of approximately $7,053,000 in 1993, $4,366,000 in 1992 and $5,850,000 in 1991.

NOTE 2 — ACQUISITIONS OF BUSINESSES

In September 1991, the Company acquired On-Line Software International, Inc. ("On-Line") at an aggregate cost of approximately $100 million. The purchase price was provided from existing cash balances and from a revolving credit agreement with a group of banks. On-Line was primarily engaged in the development, marketing and support of systems and database tools software for mainframe computers. The acquisition was accounted for as a purchase. The results of On-Line's operations have been combined with those of the Company since the date of acquisition.

In October 1991, the Company acquired 83% of the issued and outstanding Common Stock of Pansophic Systems, Incorporated ("Pansophic"). In January 1992, the Company completed the acquisition. The aggregate cost of acquiring the Common Stock of Pansophic was approximately $280 million. The purchase price was provided from existing cash balances and from a revolving credit agreement with a group of banks. Pansophic was primarily engaged in the development, marketing and support of systems software and CASE products for mainframe computers and applications software products for the IBM AS/400 environment. The acquisition was accounted for as a purchase. The results of Pansophic's operations have been combined with those of the Company since the date of acquisition.

Pro forma combined results of operations (unaudited) of the Company, On-Line and Pansophic on the basis that the acquisitions had taken place at the beginning of each fiscal year are presented below and are presented on the basis of corresponding periods for the Company (fiscal year ending March 31), On-Line (fiscal year ending May 31) and Pansophic (fiscal year ending April 30).

	Year Ended March 31,	
	1992	1991
	(In thousands except per share amounts)	
Revenue	$1,568,839	$1,532,326
Net Income	68,308	27,223
Net Income per Common Share	.38	.15

In management's opinion, the pro forma combined results of operations are not indicative of the actual results that would have occurred had the acquisitions been consummated at the beginning of the periods presented or of future operations of the combined companies under the ownership and operation of the Company.

The Company acquired various other software businesses during the fiscal years presented. None of these acquisitions was significant individually or in the aggregate, and all were accounted for as purchases.

Note 3 — Geographic Area Information and Foreign Operations

(In thousands)	United States	Foreign (a)	Eliminations	Total
1993:				
Revenue				
To unaffiliated customers	$ 846,312	$994,696	$	$1,841,008
Between geographic areas (b)	242,328		(242,328)	
Total Revenue	1,088,640	994,696	(242,328)	1,841,008
Net Income	170,703	74,841		245,544
Identifiable assets	1,840,587	889,174	(380,942)	2,348,819
Total liabilities	968,713	706,518	(380,942)	1,294,289
1992:				
Revenue				
To unaffiliated customers	$ 660,660	$848,101	$	$1,508,761
Between geographic areas (b)	201,190		(201,190)	
Total Revenue	861,850	848,101	(201,190)	1,508,761
Net Income	103,588	59,321		162,909
Identifiable assets	1,748,636	766,885	(346,659)	2,168,862
Total liabilities	924,005	603,177	(346,659)	1,180,523
1991:				
Revenue				
To unaffiliated customers	$ 649,358	$651,200	$	$1,300,558
Between geographic areas (b)	145,136		(145,136)	
Total Revenue	794,494	651,200	(145,136)	1,300,558
Net Income	123,933	6,322		130,255
Identifiable assets	1,123,067	609,419	(216,542)	1,515,944
Total liabilities	346,678	501,737	(216,542)	631,873

(a) The Company operates wholly-owned subsidiaries in 27 foreign countries, including Canada, Europe (16), the Pacific Rim (9) and Brazil.

(b) Represents royalties from foreign subsidiaries generally determined as a percentage of certain amounts invoiced to customers.

For the years ended March 31, 1993, 1992 and 1991, $40,967,000, $30,020,000 and $18,928,000, respectively, of export sales to unaffiliated customers are included in United States revenue.

NOTE 4 — TRADE AND INSTALLMENT ACCOUNTS RECEIVABLE

Trade and installment accounts receivable consist of the following:

(In thousands)	March 31, 1993	1992
Current receivables	**$934,808**	$925,096
Less: Allowance for uncollectible amounts	**(138,925)**	(154,697)
Unamortized discount and maintenance fees	**(199,275)**	(197,960)
	$596,608	$572,439
Non-current receivables	**$647,055**	$583,560
Less: Allowance for uncollectible amounts	**(10,600)**	(9,600)
Unamortized discount and maintenance fees	**(226,446)**	(234,470)
	$410,009	$339,490

The provisions for uncollectible amounts for the years ended March 31, 1993, 1992 and 1991 were $86,884,000, $136,172,000 and $105,180,000, respectively, and are included in selling, marketing and administrative expenses.

NOTE 5 — DEBT

The major component of the Company's long-term debt obligations is a 4-year term loan collateralized by the Company's corporate headquarters building. This building is owned by a partnership in which the Company has a 98% interest in 1993. In 1992, the Company's 49% interest in the partnership was accounted for under the equity method. This debt is subject to interest primarily at the prevailing London interbank rate plus 5/8%, approximately 4% during fiscal year 1993, and is payable in quarterly installments. The loan agreement calls for certain financial ratios to be maintained. At March 31, 1993, $164,000,000 was outstanding. The remaining obligations are principally foreign indebtedness carrying annual interest rates ranging from 6 1/4% to 12%. The fair market value of long-term debt approximates its carrying value. The carrying value of assets pledged against long-term debt was $205,490,000 and $13,775,000 in 1993 and 1992, respectively.

The Company has an agreement with a group of banks, renewable annually, to provide up to $250,000,000 of unsecured financing, subject to interest primarily at the prevailing London interbank rate plus 3/8%. At March 31, 1993 and 1992, $25,000,000 and $200,000,000, respectively, were outstanding under this arrangement.

The maturities of long-term debt outstanding for the five fiscal years noted are as follows: 1994—$47,095,000; 1995—$52,617,000; 1996—$45,780,000; 1997—$33,959,000; and 1998—$2,179,000.

Interest expense for the years ended March 31, 1993, 1992 and 1991 was $16,873,000, $9,755,000 and $6,159,000, respectively, and is netted with interest income.

NOTE 6 — LEASES

The Company leases real estate and certain data-processing and other equipment with lease terms expiring through 2004. The leases are operating leases and generally provide for renewal options and additional rental based on escalation in operating expenses and real estate taxes. The Company had no material capital leases at March 31, 1993.

Rental expense under operating leases for the years ended March 31, 1993, 1992 and 1991 was $121,939,000, $123,744,000 and $101,118,000, respectively. Future minimum lease payments are: 1994—$74,770,000; 1995—$64,902,000; 1996—$46,982,000; 1997—$37,462,000; 1998—$32,397,000; and thereafter—$114,891,000.

NOTE 7 — COMMITMENTS AND CONTINGENCIES	The Company, various subsidiaries and certain current and former officers and directors have been named as defendants in several civil lawsuits alleging a number of separate violations of federal securities laws. The Company believes that the facts do not support the plaintiffs' claims and intends to vigorously contest each of them.

The Company is also the defendant in a suit brought by Electronic Data Systems Corporation ("EDS") on January 9, 1992 in the United States District Court for the Northern District of Texas, Dallas Division, alleging among other things: breaches of licensing agreements, misuse of copyright, interference with business relationships, fraud and violations of the antitrust laws. The Company believes that EDS's charges are totally without merit and has counterclaimed against EDS for among other things: fraud, breach of contract, copyright infringement, misappropriation of trade secrets and conversion seeking actual damages in excess of one billion dollars.

Management, after consultation with counsel and review of the facts at issue in each instance, believes that the combined ultimate liability, if any, arising from such litigation will not have a material adverse effect on its consolidated financial position.

NOTE 8 — INCOME TAXES

The amounts of income before income taxes attributable to domestic and foreign operations are as follows:

(In thousands)	Year Ended March 31, 1993	1992	1991
Domestic	**$239,569**	$156,146	$184,942
Foreign	**144,094**	110,920	28,617
	$383,663	$267,066	$213,559

The provision for income taxes consists of the following:

(In thousands)	Year Ended March 31, 1993	1992	1991
Current:			
Federal	**$ 63,401**	$ 21,518	$24,061
State	**17,397**	5,007	2,193
Foreign	**29,642**	24,314	13,663
	110,440	50,839	39,917
Deferred:			
Federal	**(14,440)**	20,212	29,200
State	**2,508**	5,821	5,555
Foreign	**39,611**	27,285	8,632
	27,679	53,318	43,387
Total:			
Federal	**48,961**	41,730	53,261
State	**19,905**	10,828	7,748
Foreign	**69,253**	51,599	22,295
	$138,119	$104,157	$83,304

NOTE 8 — INCOME TAXES (CONTINUED)

In 1992 the Company adopted Financial Accounting Standards Board Statement No. 109 regarding the treatment of deferred taxes. Deferred income taxes have been provided for the differences between financial statement and tax basis of assets and liabilities. Implementation of this standard did not have a material effect on earnings for prior fiscal years presented, nor on the Company's deferred income tax liabilities. The cumulative impact of temporary differences, primarily due to the modified accrual basis (approximately 60% in 1993 and 50% in 1992 of total deferred income taxes), purchase accounting adjustments (approximately 40% in 1993 and 48% in 1992), capitalized development costs (approximately 10% in both years) and receivable reserves (a deferred tax asset of approximately 12% in both years) is shown on the Consolidated Balance Sheets under the captions "Deferred Income Taxes."

The provision for income taxes is reconciled to the tax provision computed at the federal statutory rate as follows:

	Year Ended March 31,		
(In thousands)	1993	1992	1991
Statutory rate	**$130,445**	$ 90,803	$72,610
State taxes, net of federal tax effect	**13,137**	7,146	5,114
Difference between foreign and federal tax rates	**8,339**	8,845	12,581
Foreign tax credit	**(10,071)**		
Other, net	**(3,731)**	(2,637)	(7,001)
	$138,119	$104,157	$83,304

NOTE 9 — EMPLOYEE INCENTIVE STOCK OPTION PLAN AND NON-QUALIFIED STOCK OPTION PLAN

The Company has a 1981 Incentive Stock Option Plan (the "1981 Plan") pursuant to which options to purchase up to 8,000,000 shares of Common Stock of the Company were available for grant to employees (including officers of the Company). The 1981 Plan expired on October 23, 1991. Therefore, from and after that date no new options can be granted under the 1981 Plan. Pursuant to the 1981 Plan, the exercise price could not be less than the fair market value of each share at the date of grant. The option period could not exceed ten years. Options granted thereunder may be exercised in annual increments commencing one year after the date of grant and become fully exercisable after the expiration of five years.

Options for 3,160,267 and 2,779,871 shares were exercisable at March 31, 1993 and March 31, 1992, respectively.

The Company's 1991 Stock Incentive Plan provides that stock appreciation rights and/or options, both qualified and non-qualified, to purchase up to 10,000,000 shares of Common Stock of the Company may be granted to employees (including officers of the Company) under conditions similar to the 1981 Plan. As of March 31, 1993, no stock appreciation rights have been granted under this plan and 1,198,904 options have been granted. No options were exercisable at March 31, 1993.

The Company has a Non-Qualified Stock Option Plan pursuant to which options to purchase up to 5,000,000 shares of Common Stock of the Company may be granted to select salaried officers and key employees of the Company. Pursuant to the Non-Qualified Plan the exercise price shall not be less than the fair market value of each share at the date of the grant. The option period shall not exceed twelve years. Each option may be exercised only in accordance with a vesting schedule established by the Company's Stock Option Committee. As of March 31, 1993, 9,000 shares of the Company's Common Stock were available for future grants. 1,695,750 of the 4,911,750 options which are outstanding under the Non-Qualified Stock Option Plan were exercisable as of that date. These options are exercisable at $7.50 – $13.82 per share.

Note 9 — Employee Incentive Stock Option Plan and Non-Qualified Stock Option Plan (continued)

The following table summarizes the activity under these plans:

	Option Prices	Shares Under Option
Outstanding at March 31, 1990	$ .29 – $15.54	6,289,391
Granted	$ 7.50 – $14.50	1,859,870
Exercised	$ .50 – $13.26	(425,853)
Terminated	$ .66 – $15.54	(647,788)
Outstanding at March 31, 1991	$ .29 – $14.50	7,075,620
Granted	$ 2.48 – $ 7.63	1,873,345
Exercised	$ .50 – $13.82	(280,536)
Terminated	$ .29 – $14.50	(528,612)
Outstanding at March 31, 1992	$ .66 – $13.82	8,139,817
Granted	$11.25 – $14.38	2,023,904
Exercised	$ .87 – $13.82	(611,695)
Terminated	$ 2.31 – $14.38	(242,047)
Outstanding at March 31, 1993	$ .66 – $14.38	9,309,979

Note 10 — Profit Sharing Plan

The Company maintains a profit sharing plan, the Computer Associates Savings Harvest Plan ("CASH Plan"), for the benefit of employees of the Company. The CASH Plan is intended to be a qualified plan under Section 401(a) of the Internal Revenue Code of 1986 (the "Code") and contains a qualified cash or deferred arrangement as described under Section 401(k) of the Code. Pursuant to the CASH Plan, eligible participants may elect to contribute a percentage of their annual gross salary. Matching contributions to the CASH Plan for the years ended March 31, 1993, 1992 and 1991 were $3,473,000, $2,955,000 and $2,713,000, respectively. In addition, the Company may make discretionary contributions to the CASH Plan. Discretionary contributions to the CASH Plan for the years ended March 31, 1993, 1992 and 1991 were $14,103,000, $7,165,000 and $5,674,000, respectively.

Note 11 — Rights Plan

Each outstanding share of the Company's common stock carries a stock purchase right issued under the Company's Rights Agreement, dated June 18, 1991 (the "Rights Agreement"). Under certain circumstances, each right may be exercised to purchase one one-thousandth of a share of Series One Junior Participating Preferred Stock, Class A, for $35. Under certain circumstances, following (i) the acquisition of 20% or more of the Company's outstanding common stock by an Acquiring Person (as defined in the Rights Agreement), (ii) the commencement of a tender offer or exchange offer which would result in a person or group owning 20% or more of the Company's outstanding common stock or (iii) the determination by the Company's Board of Directors and a majority of the Disinterested Directors (as defined in the Rights Agreement) that a 15% stockholder is an Adverse Person (as defined in the Rights Agreement), each right (other than rights held by an Acquiring Person or Adverse Person) may be exercised to purchase common stock of the Company or a successor company with a market value of twice the $35 exercise price. The rights, which are redeemable by the Company at one cent per right, expire in June 2001.

Corporate Information

Board of Directors

Charles B. Wang
Chairman and
Chief Executive Officer
Computer Associates International, Inc.

Willem F.P. de Vogel
Managing Director
Three Cities Research, Inc.

Edward C. Lord
Senior Vice President
IBJ Schroder
Bank & Trust Company

Russell M. Artzt
Executive Vice President
Research and Development
Computer Associates International, Inc.

Irving Goldstein
Director General and
Chief Executive Officer
INTELSAT

Gary E. Martinelli
Lawyer
Gary E. Martinelli &
Associates, P.C.

Corporate Officers

From left:

Charles B. Wang
Chairman and
Chief Executive Officer

Russell M. Artzt
Executive Vice President
Research and Development

Peter A. Schwartz
Senior Vice President and
Chief Financial Officer

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Executive Vice President
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Arnold S. Mazur
Executive Vice President
Sales

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COMPUTER ASSOCIATES STOCK

The Company's Common Stock is listed on the New York Stock Exchange. The following table sets forth, for the quarters indicated, the quarterly high and low closing prices on the New York Stock Exchange.

	High	Low
Fiscal 1993		
Fourth Quarter	26 [illegible]	20 [illegible]
Third Quarter	20	14 [illegible]
Second Quarter	16 [illegible]	11
First Quarter	15	11
Fiscal 1992		
Fourth Quarter	16 ¾	11
Third Quarter	11	[illegible]
Second Quarter	10	[illegible]
First Quarter	11	7 ⅜

On March 31, 1993, the closing price for the Company's Common Stock on the New York Stock Exchange was $23⅞. The Company currently has approximately 10,000 stockholders of record.

On May 12, 1993, the Company declared its regular, semi-annual cash dividend. The Company also increased the semi-annual dividend from $.05 per share to $.07 per share at that time. The Company has paid cash dividends of $.05 per share in July and January of each year since July 1990.

FORM 10-K ANNUAL REPORT

A copy of the annual report on Form 10-K, filed with the Securities and Exchange Commission, is available without charge upon written request addressed to:

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Computer Associates International, Inc.
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COMPUTER ASSOCIATES INTERNATIONAL, INC.
One Computer Associates Plaza
Islandia, NY 11788-7000
(516) 342-5224

AR47

July 7, 1993

Dear Fellow Stockholder:

You are cordially invited to attend Computer Associates International, Inc.'s (the "Company's") Annual Meeting of Stockholders to be held at 10:00 a.m. Eastern Daylight Time, on Wednesday August 11, 1993 at the Company's world headquarters at One Computer Associates Plaza, Islandia, New York.

Your Board of Directors urges you to read the accompanying proxy statement and recommends that you vote for the election of the six directors nominated, for approval of the 1993 Stock Option Plan for Non-Employee Directors and for ratification of the appointment of the firm of Ernst & Young as the Company's independent auditors for the 1994 fiscal year.

The vote of every stockholder is important. Whether or not you plan to attend the meeting, it is important that your shares be represented. Accordingly, we request that you sign, date, and mail the enclosed proxy in the envelope provided at your earliest convenience.

Thank you for your cooperation.

Very truly yours,

CHARLES B. WANG
Chairman of the Board and
Chief Executive Officer

COMPUTER ASSOCIATES INTERNATIONAL, INC.

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To the Stockholders of
Computer Associates International, Inc.:

The Annual Meeting of Stockholders of Computer Associates International, Inc. (the "Company") will be held on Wednesday, August 11, 1993, at 10:00 a.m. Eastern Daylight Time at the Company's world headquarters at One Computer Associates Plaza, Islandia, New York, for the following purposes:

1. To fix the number of directors and to elect directors to serve for the ensuing year and until their successors are elected;
2. To approve the Company's 1993 Stock Option Plan for Non-Employee Directors;
3. To ratify the appointment of Ernst & Young as the Company's independent auditors for the fiscal year ending March 31, 1994; and
4. To transact such other business as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on July 1, 1993 as the record date for determination of those stockholders who will be entitled to notice of and to vote at the meeting and any adjournment thereof.

If you plan to attend the meeting, please mark the appropriate box on your proxy card. Upon receipt of the card, an admission ticket will be sent to you.

Whether or not you expect to attend, **STOCKHOLDERS ARE REQUESTED TO SIGN, DATE AND RETURN THE ENCLOSED FORM OF PROXY IN THE ENVELOPE PROVIDED.** No postage is required if mailed in the United States.

By Order of the Board of Directors

BELDEN A. FREASE
Secretary

Islandia, New York
July 7, 1993

COMPUTER ASSOCIATES INTERNATIONAL, INC.

One Computer Associates Plaza
Islandia, NY 11788-7000

PROXY STATEMENT

GENERAL INFORMATION

Proxy Solicitation

This Proxy Statement is furnished to the holders of the Common Stock, $.10 par value per share ("Common Stock"), of Computer Associates International, Inc. (the "Company") in connection with the solicitation of proxies on behalf of the Board of Directors of the Company for use at the Annual Meeting of Stockholders to be held on August 11, 1993, or at any adjournment thereof, pursuant to the accompanying Notice of Annual Meeting of Stockholders. The purposes of the meeting and the matters to be acted upon are set forth in the accompanying Notice of Annual Meeting of Stockholders. At present, the Board of Directors knows of no other business which will come before the meeting.

Proxies for use at the meeting will be mailed to stockholders on or about July 7, 1993. The Company will bear the cost of its solicitation of proxies. In addition to the use of the mails, proxies may be solicited by personal interview, telephone, telegram and telefax by the directors, officers and employees of the Company. Arrangements will also be made with brokerage houses and other custodians, nominees and fiduciaries for the forwarding of solicitation material to the beneficial owners of stock held by such persons, and the Company may reimburse such custodians, nominees and fiduciaries for reasonable out-of-pocket expenses incurred by them in connection therewith.

Revocability and Voting of Proxy

A form of proxy for use at the meeting and a return envelope for the proxy are enclosed. Stockholders may revoke the authority granted by their execution of proxies at any time before their effective exercise by filing with the Secretary of the Company a written revocation or duly executed proxy bearing a later date or by voting in person at the meeting. Shares represented by executed and unrevoked proxies will be voted in accordance with the choice or instructions specified thereon. If no specifications are given, the proxies will be voted FOR the election of management's six nominees for election as directors, FOR the Stock Option Plan for Non-Employee Directors, and FOR ratification of the appointment of Ernst & Young as the Company's independent auditors for the fiscal year ending March 31, 1994.

Record Date and Voting Rights

Only stockholders of record at the close of business on July 1, 1993 are entitled to notice of and to vote at the Annual Meeting or any adjournment thereof. On July 1, 1993, the Company had outstanding 166,192,399 shares of Common Stock, each of which (other than shares held in the Company's treasury) is entitled to one vote upon matters presented at the meeting.

Votes cast at the Annual Meeting will be tabulated by persons appointed as inspectors of election for the Annual Meeting. The inspectors of election will treat shares of Common Stock represented by a properly signed and returned proxy as present at the Annual Meeting for purposes of determining a quorum, without regard to whether the proxy is marked as casting a vote or abstaining. Likewise, the inspectors of election will treat shares of Common Stock represented by "broker non-votes" as present for purposes of determining a quorum.

The nominees for election to the Board of Directors receiving the greatest number of affirmative votes cast by holders of Common Stock, up to the number of directors to be elected, will be elected as directors. Accordingly, abstentions or broker non-votes as to the election of directors will have no effect on the election of directors.

The affirmative vote of the holders of a majority of the shares of Common Stock represented at the meeting in person or by proxy and entitled to vote thereat will be required to ratify the selection of independent public accountants and to approve the 1993 Stock Option Plan for Non-Employee Directors. In determining whether such proposals have received the requisite number of affirmative votes, abstentions and broker non-votes will have the same effect as votes against the proposal.

Annual Report

The Annual Report of the Company for the year ended March 31, 1993 is being mailed with this proxy statement.

STOCK OWNERSHIP BY CERTAIN BENEFICIAL OWNERS

The following table sets forth certain information as to the beneficial ownership of the Company's Common Stock as of December 31, 1992, by the persons known to the Company to own, or deemed to own, beneficially 5% or more of the Company's Common Stock:

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percent of Class (rounded)
Walter Haefner/ Careal Holding AG Utoquai 49 8022 Zurich, Switzerland	37,500,000(1)	22.4%
INVESCO MIM PLC 1 Devonshire Square London EC2M 4YR England (10)	10,047,800(2)	6.0%

(1) According to a Schedule 13D, as amended, filed by Walter Haefner and Careal Holding AG, Mr. Haefner has the sole voting and dispositive power with respect to 37,500,000 shares of the Company's Common Stock held of record by Careal Holding AG.

(2) According to a Schedule 13G filed by INVESCO MIM PLC, INVESCO MIM PLC had shared voting and dispositive power with respect to 10,047,800 shares of the Company's Common Stock, and its subsidiaries, INVESCO North American Group, Ltd., INVESCO, Inc. and INVESCO North American Holdings, Inc., each had shared voting and dispositive power with respect to 9,571,800 shares of the Company's Common Stock. Another subsidiary, INVESCO Capital Management, Inc., also had shared voting and dispositive power with respect to 9,321,800 shares of the Company's Common Stock.

BOARD AND MANAGEMENT OWNERSHIP

The following table sets forth certain information as to the beneficial ownership of the Company's Common Stock as of June 15, 1993 by (i) each director and nominee for election as a director, including the Chairman and Chief Executive Officer ("CEO") and Russell M. Artzt, Executive Vice President-Research and Development ("Mr. Artzt"), (ii) the three most highly compensated executive officers other than the CEO and Mr. Artzt, and (iii) all directors, nominees for director and executive officers as a group (11 persons).

Name of Beneficial Owner	Number of Shares Beneficially Owned (1)(2)	Percent of Class
Director or Nominee:		
Russell M. Artzt	222,395	.1%
Willem F.P. de Vogel	3,720	*
Irving Goldstein	3,000	*
Edward C. Lord, III	400	*
Gary E. Martinelli	9,600	*
Charles B. Wang	7,704,776	4.6%
Non-Directors:		
Sanjay Kumar	47,433	*
Arnold S. Mazur	181,543	.1%
Peter Schwartz	99,050	*
All Directors, Nominees and Executive Officers as a Group (11 persons)	8,439,942	5.1%

* Represents less than .1% of the outstanding Common Stock

(1) Includes shares that may be acquired within 60 days after June 15, 1993 through exercise of employee stock options as follows: Mr. Artzt, 184,295; Mr. Wang, 775,403; Mr. Wang's wife (attributed to Mr. Wang), 47,295; Mr. Kumar, 40,420; Mr. Mazur, 87,143; and Mr. Schwartz, 97,250; and all directors and executive officers as a group, 1,317,606.

(2) All shares reported as beneficially owned in the foregoing table are owned with sole investment and voting power except for 15,602 shares owned directly by Mr. Wang's wife and 47,295 shares subject to employee stock options held by Mr. Wang's wife, which are exercisable within 60 days after June 15, 1993. Mr. Wang disclaims beneficial ownership of such shares.

ITEM 1—ELECTION OF DIRECTORS

Nominees

It is proposed to fix the number of directors at six and to elect as directors the nominees named in the following table. Unless otherwise specified, the enclosed proxy will be voted for the election of Russell M. Artzt, Willem F.P. de Vogel, Irving Goldstein, Edward C. Lord, Gary E. Martinelli and Charles B. Wang to serve as directors until the next Annual Meeting of Stockholders and until their successors shall have been duly elected and qualified. Each of the nominees now serves as a director of the Company. In the event any of these nominees shall be unable to serve as a director, discretionary authority is reserved to vote for a substitute. The Board of Directors has no reason to believe that any of these nominees will be unable to serve.

	Age	Director Since
Russell M. Artzt (1) Executive Vice President-Research and Development since April 1987 and the Senior Development Officer of the Company since 1976.	46	1980
Willem F.P. de Vogel (2) (3) President of Three Cities Research, Inc., a private investment management firm in New York City, since 1981. From August 1981 to August 1990, Mr. de Vogel served as a director of the Company.	42	1991
Irving Goldstein (2) (3) Director General and Chief Executive Officer of INTELSAT, an international satellite telecommunications company, since February 1992. He was Chairman and Chief Executive Officer of Communications Satellite Corporation from October 1985 to February 1992 and President from May 1983 to October 1985, and was a director from May 1983 to February 1992. He also is a director of Security Trust Co., N.A.	55	1990
Edward C. Lord (2) Senior Vice President of IBJ Schroder Bank & Trust Company, a commercial banking institution in New York City, since 1987 and Vice President since 1978. He has managed corporate banking and personal lending activities in excess of twelve years.	43	1988
Gary E. Martinelli (3) Attorney, Gary E. Martinelli & Associates, P.C., a professional corporation in Springfield, Massachusetts since January 1991. From 1974 through 1990, Mr. Martinelli was a member of Ryan & White, P.C., a Springfield, Massachusetts law firm. He has practiced in the field of corporate, securities and general business law for the past twenty-four years.	50	1986
Charles B. Wang (1) Chief Executive Officer of the Company since 1976 and Chairman of the Board since April 1980.	48	1976

(1) Member Executive Committee.

(2) Member Audit Committee.

(3) Member Compensation Committee.

Meetings of the Board of Directors and Committees

During the Company's fiscal year ended March 31, 1993, the Board of Directors of the Company held seven meetings. In addition to these meetings, the Board of Directors acted by unanimous written consent on two occasions. Each Director attended more than seventy-five percent (75%) of the Board meetings and meetings of the Board committees on which he served. The Company does not have a standing nominating committee, the functions of which are performed by the entire Board.

The Compensation Committee of the Board consists of three non-management directors, Messrs. Irving Goldstein, Willem F.P. de Vogel and Gary E. Martinelli. During fiscal year 1993, the Compensation Committee met five times and acted once upon unanimous written consent. The Compensation Committee has the power to prescribe, amend and rescind rules relating to the Company's 1991 Stock Incentive Plan, 1981 Incentive Stock Option Plan and Non-Statutory Stock Option Plan, to grant options and other awards under the Plans and to interpret the Plans.

The Audit Committee of the Board consists of three non-management directors, Messrs. de Vogel, Goldstein and Edward C. Lord. It has the responsibility of recommending the firm to be chosen as independent auditors, overseeing and reviewing audit results, and monitoring the effectiveness of internal audit functions. The Audit Committee met three times during fiscal year 1993. The Audit Committee has recommended the selection of Ernst & Young as independent auditors for the year ending March 31, 1994.

Compensation for non-employee directors is set at $30,000 per year. In addition, each non-employee director receives $500 for each meeting of the Board of Directors or any of its committees he attends in person, provided, however, that if a Board meeting and a committee meeting takes place on the same day only one attendance fee is paid for that day.

Under the Company's 1993 Stock Option Plan for Non-Employee directors adopted by the Board of Directors on May 12, 1992 subject to stockholder approval at the 1993 annual meeting of stockholders, non-employee directors will automatically be awarded options to acquire up to 2,000 shares of the Company's Common Stock per year depending on the Company's attainment of specific return on equity objectives.

Report of Compensation Committee

Notwithstanding anything to the contrary set forth in any of the Company's previous filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended that might affect future filings, including this Proxy Statement, the following performance graph and the report of the Compensation Committee of the Company's Board of Directors set forth below in accordance with Securities Exchange Commission requirements, shall not be incorporated by reference into any such filings.

COMPENSATION COMMITTEE REPORT ON EXECUTIVE COMPENSATION

General

Decisions as to the compensation of the Company's executive officers are generally made by the Compensation Committee (the "Committee") of the Company's Board of Directors. As of the Company's fiscal year end, the members of the Committee were Messrs. de Vogel, Goldstein and Martinelli. During the fiscal year ended March 31, 1993, the Committee met five times and acted once upon unanimous written consent. At two of such meetings, the Committee consulted with independent compensation consultants concerning compensation plans for the Company's executive officers.

Compensation Policies

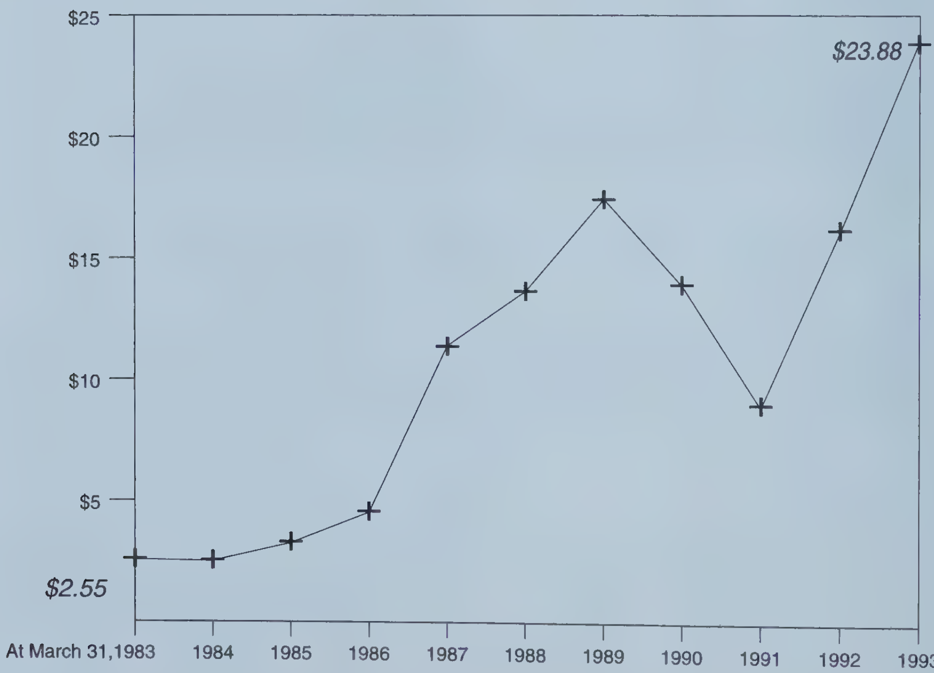
The Committee's executive compensation policies are designed to attract and retain executives capable of leading the Company in a rapidly evolving computer software marketplace and to motivate such executives to maximize stockholder value. To this end, the Committee has established executive officer cash compensation plans which combine base compensation with incentive compensation based on the Company's annual return on stockholders' equity. The Committee endorses the position that stock ownership by management and stock-based performance compensation arrangements are beneficial in aligning management's and stockholders' interests in the enhancement of stockholder's value. To this end, the Committee grants to key executives stock options which vest (i.e., become exercisable) over a five-year period as follows: 10% on the first anniversary; 15% on the second anniversary; 20% on the third anniversary; 25% on the fourth anniversary and 30% on the fifth anniversary. Options generally have a term of 10 years or 12 years from the date of grant and, subject to vesting, may be exercised at any time during such term. The Committee has retained the discretion to award bonuses recognizing individual initiative and achievement. No such discretionary bonuses were awarded for the Company's fiscal year ended March 31, 1993.

Chief Executive Officer Compensation

After consulting with the Company's independent compensation advisors, the Committee determined that while Mr. Wang's cash incentive compensation should be related to the Company's year-to-year performance as measured by aggregate net income after a threshold level of return on stockholder's equity had been reached, his base salary should be reflective of his previous performance and salary history. The Committee's general approach to setting Mr. Wang's base compensation was to recognize his record of successful leadership of the Company since he founded it in 1976 with above-industry average base compensation. See "10 Year Stock Performance Chart" below.

The Committee fixed the base cash compensation of Charles B. Wang, the Company's Chief Executive Officer, at $1,000,000 per year for the fiscal year ended March 31, 1993. In addition, the Committee, after soliciting the advice and research of independent compensation consultants, established a formula whereby Mr. Wang became entitled to cash incentive compensation equal to 2% of the Company's aggregate net income over and above a 10% return on average stockholders' equity for the fiscal year. (In the event material adjustments in the Company's stockholders' equity account are required for foreign currency fluctuations, the Committee reserves discretion to modify the benchmark so that these adjustments do not work unfairly to the advantage or disadvantage of the Chief Executive Officer). The Company's return on average stockholder's equity for fiscal year 1993 was 24%. Under this formula, Mr. Wang's incentive cash compensation for fiscal year 1993 was $2,700,000, or 73% of his total cash compensation. In addition, as a long-term stock-based incentive, the Committee, in April 1992, awarded Mr. Wang options to purchase an aggregate of 306,950 shares of the Company's Common Stock at an option exercise price of $14 3/8, the fair market value per share on the date of grant. Such options vest in increments over a five-year term as described above.

10 Year Stock Performance*



*A single share purchased on March 31,1983 would be equivalent to 16 shares at March 31, 1993 after being adjusted for splits in 1983, 1986, 1987, and 1989.

Other Executive Officers

The compensation plans of the Company's other executive officers, including the four persons shown on the Summary Compensation Table below, provide for base cash compensation, incentive cash compensation based on a fixed percentage of the Company's aggregate net income over and above a 10% return on average stockholders' equity for the fiscal year (subject to benchmark modifications as in the case of foreign currency fluctuations) and stock options under the Company's stock option plans. For fiscal 1993, the Committee allocated an aggregate of 1.5% of the Company's aggregate net income in excess of a 10% return on equity as a bonus pool to be allocated among the Company's participating executive officers (other than the Chief Executive Officer). The proportions of such pool allocable to each participating executive officer were recommended to the Committee by the Chief Executive Officer. In addition, approximately one-third of the Company's 7,200 employees, including the Chief Executive Officer and the four executive officers referred to in the tables below, were granted options to purchase an aggregate of 2,023,904 shares of the Company's Common Stock. This grant represents approximately 1.2% of the Company's total shares outstanding at March 31, 1993. The Committee believes that a significant vested interest demonstrated by their ownership of stock and stock options is a strong incentive to align the interests of all employees, and particularly the executive officers, with the interests of the stockholders.

The following tables set forth the compensation information of the Chief Executive Officer and each of the four next most highly compensated executive officers of the Company during fiscal years ended March 31, 1991, 1992 and 1993.

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation Salary	Annual Compensation Incentive	Long Term Compensation Options/SARS (#)[1]	All Other Compensation[2]
Charles B. Wang	1993	$1,000,000	$2,700,000	306,950	$19,271
Chairman of the Board	1992	$ 750,000	$2,000,000	263,000	$14,430
and Chief Executive Officer	1991	$ 300,000	$1,838,000	263,330	$12,073
Sanjay Kumar	1993	$ 300,000	$ 632,500	156,950	$17,443
Executive Vice	1992	$ 150,000	$ 365,000	63,000	$10,500
President-Operations	1991	$ 150,000	$ 290,000	54,000	$10,327
Russell M. Artzt	1993	$ 300,000	$ 582,500	106,950	$17,297
Executive Vice	1992	$ 200,000	$ 400,000	113,000	$13,000
President-Research and Development	1991	$ 200,000	$ 375,000	110,100	$11,281
Arnold S. Mazur	1993	$ 300,000	$ 582,500	106,950	$17,463
Executive Vice	1992	$ 175,000	$ 365,000	63,000	$12,113
President-Sales	1991	$ 175,000	$ 290,000	60,090	$11,208
Peter Schwartz	1993	$ 300,000	$ 307,500	56,590	$16,567
Senior Vice	1992	$ 125,000	$ 225,000	35,080	$ 8,750
President-Finance and Chief Financial Officer	1991	$ 125,000	$ 165,000	33,770	$ 8,125

(1) All options granted to such executive officers of the Company vest over a five year period, 10% on the first anniversary; 15% on the second anniversary; 20% on the third anniversary; 25% on the fourth anniversary and 30% on the fifth anniversary.

(2) Consists solely of Company contributions to the Company's tax-qualified profit-sharing plan.

OPTION/SAR GRANTS IN LAST FISCAL YEAR

Name	Options	Percent of Total Grants	Exercise Price	Expiration Date	Potential Appreciation 0%	5%[1]	10%[2]
C.B. Wang	300,000	14.8%	$14.375	April 9, 2004	-0-	$ 3,432,130	$ 9,221,972
	6,950	.3%	$14.375	April 9, 2002	-0-	$ 62,831	$ 155,225
S. Kumar	150,000	7.4%	$14.375	April 9, 2004	-0-	$ 1,716,065	$ 4,610,986
	6,950	.3%	$14.375	April 9, 2002	-0-	$ 62,831	$ 155,225
R.M. Artzt	100,000	4.9%	$14.375	April 9, 2004	-0-	$ 1,144,044	$ 3,073,991
	6,950	.3%	$14.375	April 9, 2002	-0-	$ 62,831	$ 155,225
A.S. Mazur	100,000	4.9%	$14.375	April 9, 2004	-0-	$ 1,144,044	$ 3,073,991
	6,950	.3%	$14.375	April 9, 2002	-0-	$ 62,831	$ 155,225
P. Schwartz	50,000	2.4%	$14.375	April 9, 2004	-0-	$ 572,022	$ 1,536,995
	6,590	.3%	$14.375	April 9, 2002	-0-	$ 59,576	$ 150,977
All Optionees	1,075,000	53.1%	$14.375	April 9, 2004	-0-	$ 12,298,467	$ 33,045,401
	948,904	46.9%	$14.375	April 9, 2002	-0-	$ 8,578,434	$ 21,739,436
All Shareholders[3]	N/A	N/A	N/A	N/A	-0-	$2,519,961,315	$6,386,076,733

(1) Realizable net value if Company stock were to increase in value five percent (5%) per year for the twelve or ten year terms of the respective options.

(2) Realizable net value if Company stock were to increase in value ten percent (10%) per year for the twelve or ten year terms of the respective options.

(3) Realizable net value if all shares of Company stock outstanding (167,831,187 at March 31, 1993) were to increase in value five percent (5%) or ten percent (10%) per year from its March 31, 1993 value for ten consecutive years.

AGGREGATE OPTION EXERCISES IN LAST FISCAL YEAR AND FISCAL YEAR-END VALUES

Name	Shares Acquired/ Exercised	Value Realized[1]	Number of Unexercised Options at March 31, 1993 Exercisable[2]	Unexercisable	Net Value of Unexercised In-The-Money Options at March 31, 1993[3] Exercisable[2]	Unexercisable
C.B. Wang			744,708	1,152,072	$8,159,630	$14,388,247
S. Kumar			24,725	278,225	$ 357,859	$ 3,376,718
R.M. Artzt	30,200	$442,581	205,600	418,350	$3,047,963	$ 5,495,238
A.S. Mazur	60,000	$570,210	76,448	284,092	$1,237,227	$ 3,559,485
P. Schwartz			91,591	128,249	$1,290,420	$ 1,627,245

(1) Market value of shares purchased at exercise date less aggregate option exercise price.

(2) All option grants vest over a five year period: 10% on the first anniversary; 15% the second anniversary; 20% the third anniversary; 25% the fourth anniversary; and 30% the fifth anniversary.

(3) Pro forma net valuation based on March 31, 1993 closing price ($23.875) less market price at the award date.

SUBMITTED BY THE COMPENSATION COMMITTEE OF THE COMPANY'S BOARD OF DIRECTORS:

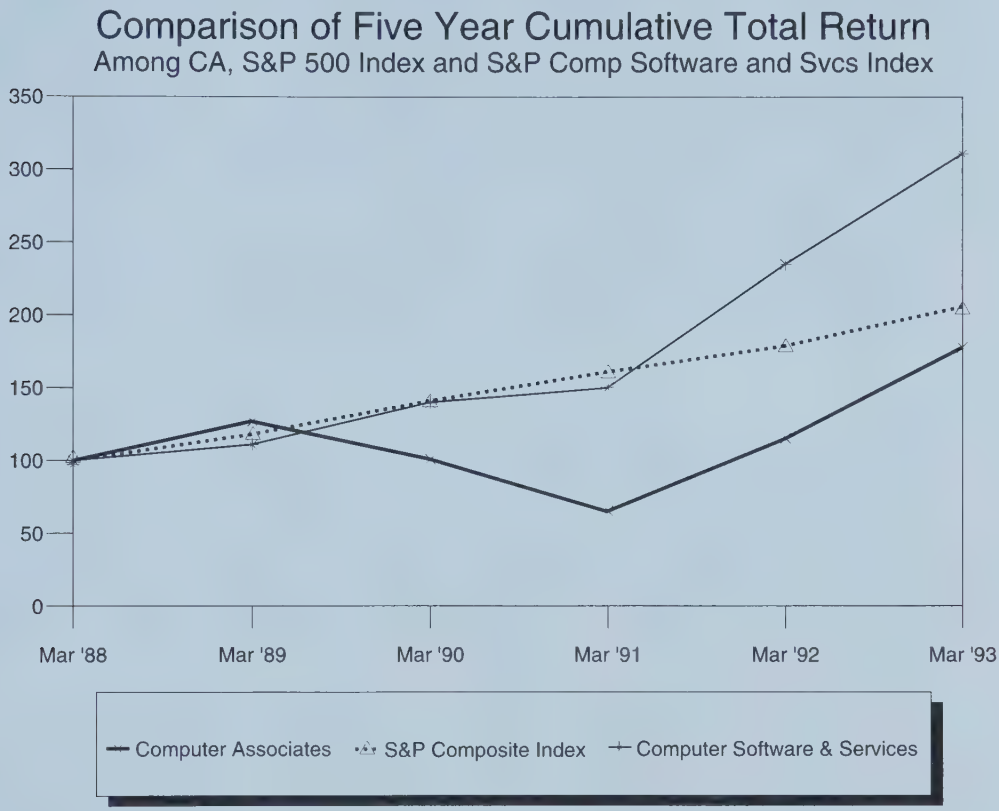
Willem F.P. de Vogel

Irving Goldstein

Gary E. Martinelli

Common Share Price Performance Graph

The following graph compares cumulative total return of the Company's Common Stock with the Standard and Poor's 500 Index and the Standard and Poor's Computer Software and Services Index during the fiscal years 1988 through 1993* assuming the investment of $100 on April 1, 1988 and the reinvestment of dividends.



Source: Bridge Information Systems, Inc. (St. Louis, MO)

TOTAL RETURN DATA

	3/31/88	3/31/89	3/31/90	3/31/91	3/31/92	3/31/93
Computer Associates	100	127	101	65	115	178
S&P 500	100	118	141	161	179	206
S&P Computer Software and Services**	100	111	140	150	235	311

* The Company's fiscal years ended March 31 of each year.

** The Standard and Poor's Computer Software and Services Index is composed of the following companies:

Oracle Systems Corporation
Computer Associates International, Inc.
Novell Inc.
Computer Sciences Corporation
Shared Medical Systems Corporation
Lotus Development Corporation
Autodesk Inc.
Automatic Data Processing, Inc.
Ceridian Corporation

Employees' Profit Sharing Plan

The Company maintains a profit sharing plan, the Computer Associates Savings Harvest Plan ("CASH Plan"), for the benefit of employees of the Company. The CASH Plan is intended to be a qualified plan under Section 401(a) of the Internal Revenue Code of 1986 (the "Code"), and certain contributions made thereunder qualify for tax deferral under Section 401(k) of the Code. The CASH Plan is funded through the Company's and participating employees' contributions and generally provides that employees may contribute, through payroll deductions, a percentage of their regular salary. The Company makes matching and discretionary contributions for participants in the CASH Plan, including the Company's executive officers. Participants in the CASH Plan receive a 50% match of their contributions, up to a maximum of 5% of annual compensation (subject to certain Code limitations), and a portion of the Company's discretionary contribution for each year generally in proportion to their annual compensation. The Company's contributions under the CASH Plan vest in incremental amounts over a period of seven years from date of hire, and are 100% vested after seven years. The CASH Plan is administered by a committee of officers and employees of the Company appointed by the Board of Directors. All employees who have been in the employ of the Company for at least one year are eligible to participate.

During fiscal year 1993, the Company contributed $19,271, $17,443, $17,297, $17,463 and $16,567 under the CASH Plan for the account of Messrs. Wang, Kumar, Artzt, Mazur and Schwartz, respectively, and $17,576,000 for all participating employees. Such contributions are included in the amount of cash compensation set forth opposite the five executive officers' names on the Summary Compensation Table on page 9.

Stock Options

During fiscal year 1993, the Company maintained the 1981 Incentive Stock Option Plan (the "1981 Plan") which provides for the issuance to key employees of incentive stock options to purchase up to a maximum of 8,000,000 shares of Common Stock of the Company. The 1981 Plan terminated in accordance with its terms, on October 23, 1991, which was the tenth anniversary of the date on which it was first adopted. No additional options may be granted under the 1981 Plan. The 1981 Plan has been administered by the Compensation Committee which determined the persons to whom incentive stock options were granted, the number of shares subject to such options and the terms of the stock options. Incentive stock options are stock options which are intended to satisfy the criteria established in Section 422 of the Code and are subject to different tax treatment than non-statutory stock options. Incentive stock options may be granted for terms of up to ten years. The option price of an incentive stock option may not be less than the market price of the shares of Common Stock on the date the option is granted.

The Company's 1991 Stock Incentive Plan (the "1991 Plan") provides that up to an aggregate of 10,000,000 shares of the Company's Common Stock may be granted to employees (including officers of the Company) pursuant to stock options or stock appreciation rights ("SARs"). The options may be either options intended to qualify as "incentive stock options," as that term is defined in the Code, or non-statutory options. The per share exercise price of options and SARs granted under the 1991 Plan may not be less than 100% of the Fair Market Value (as defined below) of a share of the Company's Common Stock on the date of grant. Shares of Common Stock acquired under the 1991 Plan may be treasury shares, including shares purchased in the open market, newly issued shares or a combination thereof. Fair Market Value, as of any date, means the closing sales price of a share of Common Stock as reflected in the consolidated trading of New York Stock Exchange issues (as long as the Company's Common Stock is listed on the New York Stock Exchange).

The 1991 Plan is administered by the Compensation Committee of the Board of Directors, which determines the individuals to whom options and SARs are granted, the date or dates of grant, and the number of shares covered by the options and SARs granted. The Compensation Committee also has the power to interpret the 1991 Plan and to determine the terms, exercise price and form of exercise payment for each option granted under the 1981 and 1991 Plans, including whether such option is intended to qualify as an incentive stock option under the Internal Revenue Code.

The Company also maintains a Non-Statutory Stock Option Plan (the "Non-Statutory Plan") pursuant to which non-statutory options to purchase up to 5,000,000 shares of Common Stock of the Company may be granted to selected officers and key employees of the Company. Pursuant to the Non-Statutory Plan, the option price of stock options granted thereunder may not be less than the market price of the shares of Common Stock on the date of grant. The option period may not exceed twelve years. The Stock Option and Compensation Committee of the Board of Directors also administers the Non-Statutory Plan.

Compliance with Section 16(a) of the Securities Exchange Act of 1934

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's directors and executive officers, and persons who own more than ten percent of a registered class of the Company's equity securities, to file with the Securities and Exchange Commission ("SEC") and the New York Stock Exchange initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of the Company. Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

To the Company's knowledge, during the fiscal year ended March 31, 1993, all Section 16(a) filing requirements applicable to its officers, directors and greater than ten percent beneficial stockholders were complied with, except that in November 1992, Charles B. Wang, Chairman of the Board and Chief Executive Officer of the Company, was advised that, by virtue of his marriage in October 1991, he was required to file a Form 4 for October 1991. Mr. Wang promptly filed a report on Form 4 for October 1991 and amended his reports on Form 4 filed between October 1991 and November 1992.

Compensation Committee Interlocks and Insider Participation

Gary E. Martinelli, a director of the Company and a member of the Compensation Committee, is the principal officer and director and sole shareholder of Gary E. Martinelli & Associates, P.C., a law firm. The Company has retained, and intends to retain in the future, Gary E. Martinelli & Associates, P.C. in connection with such legal matters as it deems appropriate. In fiscal year 1993, legal fees of approximately $238,000 were paid to Gary E. Martinelli & Associates, P.C. In addition, during fiscal year 1993, CPR/Safety Products, Inc., a business controlled by Mr. Martinelli, sold safety products to the Company for $2,006. In the opinion of management, the terms and conditions of this transaction and the aforementioned legal services were fair and reasonable and as favorable to the Company as those which could have been obtained from unrelated third parties.

Certain Transactions

Mr. Anthony W. Wang, a former President and Chief Operating Officer of the Company, and a brother of Charles B. Wang Chairman and CEO, has entered into an agreement to remain with the Company in a non-executive capacity until March 31, 1997. During this term, Mr. Wang will assist the Company in the prosecution and defense of certain litigation and will perform such other advisory and consulting duties as may be reasonably requested from time to time by the Company's Chief Executive Officer. For these services and in consideration of a five-year non-competition covenant, the Company agreed to pay Mr. Wang $500,000 per year. Under his agreement Mr. Wang will not be entitled to receive additional stock option grants, but stock options granted to Mr. Wang during his tenure as an officer of the Company will continue to vest and be exercisable.

ITEM 2—APPROVAL OF THE 1993 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

Introduction

On May 12, 1993, the Company's Board of Directors adopted the 1993 Stock Option Plan for Non-Employee Directors (the "1993 Plan") covering one hundred thousand (100,000) shares of the Company's Common Stock. Approval of the 1993 Plan, a copy of which is annexed to this Proxy Statement as Annex 1, by the holders of a majority of the Company's Common Stock present or represented and entitled to vote at the Company's Annual Meeting of Stockholders held in accordance with the laws of the State of Delaware is a condition precedent to the effectiveness of the 1993 Plan.

Under the 1993 Plan, each non-employee director of the Company is automatically granted on the day immediately following the date of each year's annual meeting of stockholders an option to purchase a number of shares of the Company's Common Stock that is dependent on the Company's return on equity for the preceding fiscal year of the Company. The exercise price for such options shall be at the fair market value of the Company's Common Stock at the time the option is granted. Following fiscal years in which the Company achieved a twenty (20%) percent or greater return on equity, each non-employee director is granted an option to purchase two thousand (2,000) shares. Following fiscal years in which the Company achieved a fifteen (15%) percent or greater (but less than twenty (20%) percent) return on equity, each non-employee director is granted an option to purchase one thousand (1,000) shares. No options are granted following fiscal years in which return on equity is less than fifteen (15%) percent.

The 1993 Plan provides for initial grants of options to purchase two thousand (2,000) shares to each of the Company's four (4) current non-employee directors (Messrs. de Vogel, Goldstein, Lord and Martinelli) effective May 12, 1993 and that no additional grant will be made to such directors following the 1993 Annual Meeting of Stockholders. In the event a new director is elected or appointed prior to December 31, 1993, such new director automatically will be granted an option to purchase two thousand (2,000) shares on the day of his election or appointment. The Company earned a return on equity of approximately twenty-four (24%) percent for fiscal 1993. The 1993 Plan provides for a proportional adjustment in the number of shares of Common Stock subject to the 1993 Plan and the exercise price per share resulting from a recapitalization, stock split, merger, reorganization or similar corporate event.

Option Terms

Exercise Price.

Each option granted under the 1993 Plan shall be represented by a written option agreement containing terms consistent with the 1993 Plan. The option exercise price for an option, granted under the 1993 Plan shall be the "fair market value" of the shares of Common Stock covered by the option on the date the option is granted. For purposes of the 1993 Plan, "fair market value" shall be the closing price which the Common Stock was sold on such date as reported in the New York Stock Exchange Composite Transactions or, if no Common Stock was traded on such date, on the next preceding date on which the Common Stock was traded.

Vesting.

Each option shall become 100% vested and exercisable upon the first anniversary date of its grant.

Notice of Exercise.

Generally, each option may be exercised in whole or in part on the first anniversary date of its grant and from time to time thereafter by giving written notice, signed by the person exercising the option, stating the number of shares with respect to which the option is being exercised, accompanied by payment in full, which payment may be (a) in cash or by check, or (b) in shares of Common Stock already owned.

Holding Period.

Shares of Common Stock obtained upon the exercise of any option granted under the 1993 Plan may not be sold by persons subject to Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), until one year after the date the option was granted.

Plan Administration.

The 1993 Plan will be administered by the Compensation Committee of the Board of Directors.

Term of Options.

Each option shall expire ten (10) years from the date of the granting thereof, but shall be subject to earlier termination as follows:

(a) In the event of the death of an optionee during the optionee's service as a Director, the options granted to the optionee shall be exercisable, and such options shall expire unless exercised, within twelve (12) months after the date of the optionee's death, by the legal representative of the estate of such optionee, by any person or persons whom the optionee shall have designated in writing on forms prescribed by and filed with the Company, or if no such designation has been made, by the person or persons to whom the optionee's rights have passed by will or the laws of descent and distribution.

(b) In the event an optionee shall cease to be a director as a result of resignation, declining to stand for re-election or removal without cause, each unexercised option held by such optionee shall automatically terminate ninety (90) days after the optionee ceases being a director; provided, however, in the event an optionee ceases being a director because the optionee was removed for cause, all options granted hereunder shall terminate immediately. In the event an optionee is permanently disabled at the time he ceases to be a director and such optionee was not removed for cause, the ninety (90) day period referred to above shall be extended to twelve (12) months.

Transferability.

During an optionee's lifetime, an option may be exercised only by the optionee. Options granted under the 1993 Plan and the rights and privileges conferred thereby shall not be subject to execution, attachment or similar process and may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or the applicable laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended, or Title I of the Employee Retirement Income Security Act, as amended, or the rules thereunder, except that, to the extent permitted by applicable law and Rule 16b-3 promulgated under Section 16(b) of the Exchange Act, the Compensation Committee may permit a recipient of an option to designate in writing during the optionee's lifetime a beneficiary to receive and exercise options in the event of the optionee's death.

Termination and Amendment.

The 1993 Plan shall continue in effect until it is terminated by action of the Company's Board of Directors or stockholders. The Board of Directors may amend, terminate or suspend the 1993 Plan at any time, in its sole and absolute discretion; provided, however, that no amendment may be made more than once every six (6) months that would change the amount, price, timing or vesting of the options, other than to comport with changes in the Internal Revenue Code of 1986, as amended (the "Code"), or the Employee Retirement Income Security Act, as amended or the rules and regulations promulgated thereunder; and provided, further, that if required to qualify the 1993 Plan under Rule 16b-3 under the Exchange Act, no amendment that would

(a) materially increase the number of Shares that may be issued under the 1993 Plan,

(b) materially modify the requirements as to eligibility for participation in the 1993 Plan, or

(c) otherwise materially increase the benefits accruing to participants under the 1993 Plan

shall be made without the approval of the Company's stockholders.

Compliance with Rule 16b-3.

It is the intention of the Company that the 1993 Plan comply in all respects with Rule 16b-3 promulgated under Section 16(b) of the Exchange Act and that 1993 Plan participants remain disinterested persons for purposes of administering other employee benefit plans of the Company and having such other plans be exempt from Section 16(b) of the Exchange Act. Therefore, if any 1993 Plan provision is later found not to be in compliance with Rule 16b-3 or if any 1993 Plan provision would disqualify 1993 Plan participants from remaining disinterested persons, that provision shall be deemed null and void, and in all events the 1993 Plan shall be construed in favor of its meeting the requirements of Rule 16b-3.

Federal Income Tax Consequences.

Options granted under the 1993 Plan may be received without recognizing taxable income. Upon exercise of such options, however, the exercising employee recognizes ordinary income pursuant to Section 83 of the Code. The amount of income so recognized is the difference between the fair market value of the stock received at the date of exercise by the director and the price paid for that stock pursuant to the option. The Company is entitled to a deduction equal to the amount of income which the employee must recognize. Any gain realized by the employee upon a subsequent sale or exchange of the stock so acquired may be treated as a capital gain depending upon the period held.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR APPROVAL OF ITEM 2.

ITEM 3—RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

Although the By-Laws of the Company do not require the submission of the selection of independent auditors to the stockholders for approval, the Board of Directors considers it desirable that its appointment of independent auditors be ratified by the stockholders. Ernst & Young (and its predecessor firm Ernst & Whinney) has been the independent auditor for the Company since 1980 and has been appointed to serve in that capacity for the 1994 fiscal year. The Board of Directors will ask the stockholders to ratify the appointment of this firm as independent auditors for the Company at the Annual Meeting.

A representative of Ernst & Young will be present at the meeting and will be available to respond to appropriate questions from stockholders.

THE BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPOINTMENT OF ERNST & YOUNG AS THE COMPANY'S INDEPENDENT AUDITORS.

STOCKHOLDER PROPOSALS

The Company's By-Laws require advance notice for any stockholder nomination or proposal at an annual or special meeting. In general, all nominations or proposals must be delivered to the Secretary of the Company at the address set forth below, not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting. Any stockholder desiring a copy of the Company's By-Laws will be furnished a copy without charge upon written request to the Secretary of the Company. The submission deadline for stockholder proposals for consideration for inclusion in proxy materials for the 1994 Annual Meeting is March 8, 1994.

OTHER BUSINESS

The Board of Directors knows of no other business to be acted upon at the meeting. However, if any other business properly comes before the meeting, it is the intention of the persons named in the enclosed proxy to vote on such matters in accordance with their best judgment.

The prompt return of your proxy will be appreciated. Therefore, whether or not you expect to attend the meeting, please sign and date your proxy and return it in the enclosed envelope.

By Order of the Board of Directors

BELDEN A. FREASE
Secretary

Dated: July 7, 1993
Islandia, New York

A COPY OF THE COMPANY'S ANNUAL REPORT ON FORM 10-K WILL BE SENT WITHOUT CHARGE TO ANY STOCKHOLDER REQUESTING IT IN WRITING. SUCH REQUESTS SHOULD BE ADDRESSED TO: COMPUTER ASSOCIATES INTERNATIONAL, INC., ATTN.: MR. BELDEN A. FREASE, SECRETARY, ONE COMPUTER ASSOCIATES PLAZA, ISLANDIA, NEW YORK 11788-7000.

COMPUTER ASSOCIATES INTERNATIONAL, INC.
1993 STOCK OPTION PLAN FOR NON-EMPLOYEE DIRECTORS

Article I. Purposes

The purposes of the Computer Associates International, Inc. 1993 Stock Option Plan for Non-Employee Directors (the "Plan") are to attract and retain the services of knowledgeable non-employee Directors of Computer Associates International, Inc. (the "Company") and to provide an incentive for such Directors to increase their proprietary interests in the Company's long-term success and progress.

Article II. Shares Subject To The Plan

Subject to adjustment in accordance with Article VI hereof, the total number of shares of the Company's common stock, par value $.10 per share (the "Common Stock"), for which options may be granted under the Plan is 100,000 (the "Shares"). The Shares shall be presently authorized but unissued or subsequently acquired by the Company and shall include shares representing the unexercised portion of any option granted under the Plan which expires or terminates without being exercised in full.

Article III. Administration Of The Plan

The administrator of the Plan (the "Plan Administrator") shall be a committee appointed by the Board of Directors of the Company (the "Board"). Subject to the terms of the Plan, the Plan Administrator shall have the power to construe the provisions of the Plan, to determine all questions arising thereunder and to adopt and amend such rules and regulations for the administration of the Plan as it may deem desirable.

Article IV. Participation In The Plan

Each member of the Board elected or appointed who is not otherwise an employee of the Company or any subsidiary (an "Eligible Director") shall receive the following option grants under the Plan:

1. Initial Grants.

An initial grant (an "Initial Grant") of an option to purchase two thousand (2,000) Shares shall automatically be granted to:

(a) Each Eligible Director immediately following adoption of the Plan by the Company's Board of Directors; and

(b) Each person, if any, who first becomes an Eligible Director on or before December 31, 1993 on the date such person first becomes an Eligible Director.

Each Initial Grant is subject to the approval of the Plan by the Company's stockholders.

2. Additional Grants.

Commencing with the Annual Meeting of Stockholders of the Company as specified in the Company's By-Laws (the "Annual Meeting") in 1994, each Eligible Director shall automatically receive an additional grant (an "Additional Grant") of an option to purchase Shares on the day immediately following the date of each year's Annual Meeting.

The number of shares to be subject to each Additional Grant shall depend on the Company's return on equity for its fiscal year preceding the Annual Meeting. In the event the Company shall have realized net income representing a twenty (20%) percent or greater return on equity in any fiscal year, each Additional Grant shall consist of an option to purchase two thousand (2,000) Shares. In the event the Company shall have realized net income representing fifteen (15%) percent or greater (but less than twenty (20%) percent) return on equity, each Additional Grant shall consist of an option to purchase one thousand (1,000) Shares. In the event the Company does not realize net income representing fifteen (15%) percent return on equity, there shall be no Additional Grant in that year.

Article V. Option Grants

Each option granted to an Eligible Director under the Plan and the issuance of Shares thereunder shall be subject to the following terms:

1. Option Agreement.

Each option granted under the Plan shall be evidenced by an option agreement (an "Agreement") duly executed on behalf of the Company. Each Agreement shall comply with and be subject to the terms and conditions of the Plan. Any Agreement may contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Plan Administrator.

2. Vesting.

Each option granted hereunder shall become 100% vested and exercisable upon the first anniversary of its date of grant.

3. Option Exercise Price.

The option exercise price for an option granted under the Plan shall be the fair market value of the Shares covered by the option at the time the option is granted. For purposes of the Plan, "fair market value" shall be the closing price of the Common Stock on such date as reported in the NYSE-Composite Transactions or, if no Common Stock was traded on such date, on the next preceding date on which the Common Stock was so traded.

4. Time and Manner of Exercise of Option.

Each option may be exercised in whole or in part on the first anniversary date of its grant and from time to time thereafter; provided, however, that no fewer than 100 Shares (or the remaining Shares then purchasable under the option, if less than 100 Shares) may be purchased upon any exercise of option rights hereunder and that only whole Shares will be issued pursuant to the exercise of any option.

Any option may be exercised by giving written notice, signed by the person exercising the option, to the Company stating the number of Shares with respect to which the option is being exercised, accompanied by payment in full for such Shares, which payment may be in whole or in part (i) in cash or by check, or (ii) in shares of Common Stock already owned for at least six (6) months by the person exercising the option, valued at fair market value at the time of such exercise.

5. Terms of Options.

Each option shall expire ten (10) years from the date of the granting thereof, but shall be subject to earlier termination as follows:

(a) In the event of the death of an optionee during the optionee's service as a Director, the options granted to the optionee shall be exercisable, and such options shall expire unless exercised within twelve (12) months after the date of the optionee's death, by the legal representatives or the estate of such optionee, by any person or persons whom the optionee shall have designated in writing on forms prescribed by and filed with the Company, or if no such designation has been made, by the person or persons to whom the optionee's rights have passed by will or the laws of descent and distribution.

(b) In the event an optionee shall cease to be a director as a result of resignation, declining to stand for re-election or removal without cause, each unexercised option held by such optionee shall automatically terminate ninety (90) days after the optionee ceases being a director; provided, however, in the event an optionee ceases being a director because the optionee was removed for cause, all options granted hereunder shall terminate immediately. In the event an optionee is permanently disabled at the time he ceases to be a director and such optionee was not removed for cause, the ninety (90) day period referred to above shall be extended to twelve (12) months.

6. Transferability.

During an optionee's lifetime, an option may be exercised only by the optionee. Options granted under the Plan and the rights and privileges conferred thereby shall not be subject to execution, attachment or similar process and may not be transferred, assigned, pledged or hypothecated in any manner (whether by operation of law or otherwise) other than by will or the applicable laws of descent and distribution or pursuant to a qualified domestic relations order as defined by the Internal Revenue Code of 1986, as amended, or Title I of the Employee Retirement Income Security Act, as amended, or the rules thereunder, except that, to the extent permitted by applicable law and Rule 16b-3 promulgated under Section 16(b) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Plan Administrator may permit a recipient of an option to designate in writing during the optionee's lifetime a beneficiary to receive and exercise options in the event of the optionee's death (as provided in Section 4(b) hereof). Any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of any option under the Plan or of any right or privilege conferred thereby, contrary to the provisions of the Plan, or the sale or levy or any attachment or similar process upon the rights and privileges conferred thereby, shall be null and void.

7. Holding Period.

Shares of Common Stock obtained upon the exercise of any option granted under the Plan may not be sold by persons subject to Section 16 of the Exchange Act until one year after the date the option was granted.

8. Participant's or Successor's Rights as Stockholder.

Neither the recipient of an option under the Plan nor the optionee's successor(s) in interest shall have any rights as a stockholder of the Company with respect to any Shares subject to an option granted to such person until such person becomes a holder of record of such Shares.

9. Limitation as to Directorship.

Neither the Plan nor the granting of an option nor any other action taken pursuant to the Plan shall constitute or be evidence of any agreement or understanding, express or implied, that an optionee has a right to continue as a Director for any period of time or at any particular rate of compensation.

10. Regulatory Approval and Compliance.

The Company shall not be required to issue any certificate or certificates for Shares upon the exercise of an option granted under the Plan, or record as a holder of record of Shares the name of the individual exercising an option under the Plan, without obtaining to the complete satisfaction of the Plan Administrator the approval of all regulatory bodies deemed necessary by the Plan Administrator, and without complying, to the Plan Administrator's complete satisfaction, with all rules and regulations under federal, state or local law deemed applicable by the Plan Administrator.

Article VI. Capital Adjustments

The aggregate number and class of Shares for which options may be granted under the Plan, the number and class of Shares covered by each outstanding option and the exercise price per Share thereof (but not the total price) shall all be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a recapitalization, stock split, stock dividend, exchange of shares, merger, reorganization, change in corporate structure or shares of the Company or similar events.

In the event of any adjustment in the number of Shares covered by any option, any fractional Shares resulting from such adjustment shall be disregarded and each such option shall cover only the number of full Shares resulting from such adjustment.

Article VII. Expenses Of The Plan

All cost and expenses of the adoption and administration of the Plan shall be borne by the Company; none of such expenses shall be charged to any optionee.

Article VIII. Effective Date And Duration Of The Plan

The Plan shall be dated as of May 12, 1993 and shall be effective upon adoption by the Board so long as the Plan receives the approval of holders of a majority of the Company's Shares present and entitled to vote at the 1993 Annual Meeting of the Stockholders. The Plan shall continue in effect until it is terminated by action of the Board or the Company's stockholders, but such termination shall not affect the then outstanding terms of any options.

Article IX. Termination And Amendment Of The Plan

The Board may amend, terminate or suspend the Plan at any time, in its sole and absolute discretion; provided, however, that no amendment may be made more than once every six (6) months that would change the amount, price, timing or vesting of the options, other than to comport with changes in the Internal Revenue Code of 1986, as amended, or the Employee Retirement Income Security Act, as amended or the rules and regulations promulgated thereunder; and provided, further, that if required to qualify the Plan under Rule 16b-3, no amendment that would

(a) materially increase the number of Shares that may be issued under the Plan,

(b) materially modify the requirements as to eligibility for participation in the Plan, or

(c) otherwise materially increase the benefits accruing to participants under the Plan

shall be made without the approval of the Company's stockholders.

Article X. Compliance With Rule 16b-3

It is the intention of the Company that the Plan comply in all respects with Rule 16b-3 promulgated under Section 16(b) of the Exchange Act and that Plan participants remain disinterested persons for purposes of administering other employee benefits plans of the Company and having such other plans be exempt form Section 16(b) of the Exchange Act. Therefore, if any Plan provision is later found not to be in compliance with Rule 16b-3 or if any Plan provision would disqualify Plan participants from remaining disinterested persons, that provision shall be deemed null and void, and in all events the Plan shall be construed in favor of its meeting the requirements of Rule 16b-3.

Adopted by the Company's Board of Directors on May 12, 1993.